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NEWS SUMMARY

GENERAL

Wilson confirms 1968 coup plot

A coup to take over the Government of Sir Harold Wilson was planned in 1968. The former Prime Minister last night described the plotters as "people high up in the Press."

However, he denied a Sunday Times report quoting Lady Falkender, his former political secretary, as saying the late Earl Mountbatten had been a "prime mover."

The plot was said to have been investigated by the security services but no one was charged.

Prior airs fears

Employment Secretary James Prior confessed to doubts whether the Government's economic strategy would work and urged Ministers to be more compassionate about unemployment. Back Page

Iran 'hard hit'

Iranian President Bani-Sadr warned of social and political instability if the country's economy did not pick up. Rationing had produced a boom in smuggling and a black market, and the war with Iraq had boosted the money supply by 40 per cent. Page 2

Ayatollah Rabbani Shirazi was wounded in an assassination bid.

Callaghan call

Former Prime Minister James Callaghan, visiting India, called on the U.S. to block arms aid to Pakistan until the military rulers pledge to restore democracy.

India Left split

India's Communist Party split as former chairman Shripad Amrit Dange was expelled for "anti-party activities."

China 'content'

China would not press its long-standing claim to some 90 per cent of Hong Kong territory, Foreign Secretary Lord Carrington said at the start of his Far East tour. It benefited from the colony's prosperity.

Egypt arrests

Egypt's Left-wing Unionist Progressive Party said 37 members and supporters were arrested in a week-end swoop.

Food dearer

Food prices rose again this month—*meat the most, the FT* Grocery Prices Index shows. Page 4

Farmers, gardeners and shoppers were warned to watch for Colorado beetles which could devastate potato crops.

Marathon tie

Dick Beardsley of the U.S. and Inge Simonsen of Norway joined hands to tie first in the London Marathon in two hours 11 minutes 48 seconds. Of 6,700 some 80 per cent finished, including FT copyreader Peter Collins in 3:0.38 and transport correspondent Lynton McLain in 4:51.48.

Pardon me?

Train robber Ronald Biggs says in his autobiography he deserves a royal pardon.

Punk rocket

Dean of Liverpool told more than 2,000 at the city's John Lennon church service that punk aggression had drowned the ex-Beatle's peace pleas.

Briefly...

Prince Charles left for five-week tour of the Americas and Australasia.

Carlos Reutemann of Argentina, driving a Williams, won Brazil's Grand Prix.

BUSINESS

Building society receipts plunge

● **BUILDING SOCIETY** receipts plunged during March in the face of increasing competition from National Savings. Back Page

● **ELECTRICITY** supply industry cut its future power demand forecast for the second time in two years. Back Page. Vale of Belvoir coal project plea, Page 4

● **EEC STEEL** companies were last night discussing voluntary production curbs in a further effort to rescue the Community's steel industry.

● **TELECOMMUNICATIONS** industry is the main beneficiary of EEC cash paid into the Treasury as part of the deal to reduce the UK's budget contribution to the Community. Page 8

● **UK MOTOR** industry reduced sharply its forecast for sales of cars and light commercial vehicles in the wake of the Budget. Page 6

● **GENERAL MOTORS** will combine the UK Vauxhall and Opel dealership networks. Page 4

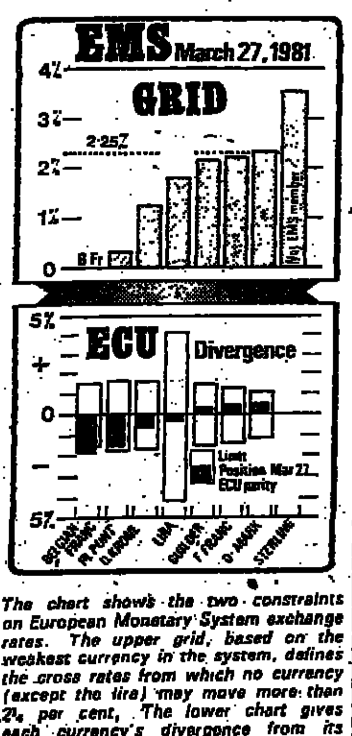
● **UK BANKS** seem to be winning a larger share of the consumer credit market at the expense of hire purchase companies. Back Page; Table, Page 8

● **BANK OF ENGLAND**, Stock Exchange and big accounting firms are criticised in a report about accounting standards in the UK banking industry. Page 4

● **CHARTERHOUSE**, the City banking group, was asked by the Independent Broadcasting Authority to bid for a stake in Yorkshire Television, a Trident Television subsidiary. Page 4

● **DEVALUATION** of the Italian lira, and the rise in the Bank of Italy's discount rate to a record 19 per cent was the major event in the European Monetary System last week. The lira, which had previously fallen outside its alarm bell divergence limit, moved up to the middle of the system.

The Belgian franc came very close to its maximum permitted divergence limit last week, and ended substantially weaker at the bottom of the EMS in spite of a rise of 1 per cent to 13 per cent in Belgium's discount EMS floor against the D-Mark. *The franc finished on its* which remained firm at the top of the system, while losing ground against the strong dollar on higher Eurodollar rates and increasing tension in Poland.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than $2\frac{1}{4}$ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

Negotiations to head off Poland's indefinite general strike on Tuesday resume today. As the Polish Communist party leadership debated the crisis yesterday, angry reports from Moscow showed the Kremlin has found Polish union activity increasingly intolerable.

Pope Paul called for Poland to be allowed to solve its own problems without outside interference.

Warsaw Pact manoeuvres including Soviet, East German and Polish troops continued in and around Poland.

Mr. Alexander Haig, the U.S. Secretary of State and Mr. Casper Weinberger, the Secretary of Defence, said the war games presented a clear menace. President Ronald Reagan said the threat of a Soviet invasion was one of the main reasons why the U.S. grain embargo against the Soviet Union would be maintained.

Polish Politburo man attacks Solidarity

BY CHRISTOPHER BOBINSKI IN WARSAW

THE STRUGGLE of Polish Communist Party moderates to convince the conservative majority of the party's 140-strong Central Committee that compromise was needed to head off Tuesday's threatened indefinite national strike continued inconclusively last night.

In his keynote speech to the Central Committee meeting, Mr. Kazimierz Barcikowski, a Politburo member, took an apparently intransigent line charging that political ambitions were coming to dominate the union and that it was moving to support "creeping counter-revolution."

The tone of his speech appeared to echo the strongest Soviet criticism yet of the Solidarity union. The Soviet official news agency Tass alleged that Solidarity was "switching over to open methods of struggle with the legal State power, with the Government, and the Polish United Workers (Communist) Party.

It also accused what it called "subversives" of seizing post offices and a television transmitter, of removing road signs and blocking roads. These accusations were subsequently denied point-blank by Mr. Andrejz Slowik, a member of the Solidarity praesidium.

The outcome of today's scheduled Government-Solidarity negotiations, convened to try to work out a compromise which could head off Tuesday's threatened strike, depends on the outcome of the central committee meeting.

But with over 40 committee members still to state their case, it appears that the Central Committee meeting will still be going on when negotiations with Solidarity begin.

Solidarity is demanding punishment of those responsible for beating up union leaders in Bydgoszcz last week: it wants the authorities to declare an amnesty for those accused of dissident activities: and it is calling for recognition of an independent farmers' union.

Despite the apparently hard-line tone of Mr. Barcikowski's keynote speech, however, he praised the efforts of those rank and file members who are working for more democracy within the party. Many of the speeches within the Central Committee debate however, reflected ferment at the party's grassroots and speakers strongly criticised Mr. Barcikowski for not addressing himself to the real nature of the crisis affecting both the party and country.

Speeches from the floor included demands for immediate changes in the leadership and criticism of hard-liners for bringing about the crisis through their intransigence.

The problem is that, all the members of the Central Committee were appointed at the party congress in February last year well before last summer's strike wave. The Central Committee as presently constituted gives the conservatives a majority.

So far, they have managed to block demands for a new party congress which alone can appoint a new Central Committee. Reformists could be expected to replace many of the present committee members whose entire careers and privileges are at stake, if a congress were to be held.

In the only speech which was made public, Mr. Henryk Kisiel, Polish Deputy Premier, painted a gloomy picture of the state of the economy. Industrial production, he said, had fallen by almost 10 per cent in the first two months of the year, while sales of consumer goods were almost completely disorganised. He blamed the drop in industrial production on raw material shortages which derived from a lack of hard currency. This, in turn meant that imports from the West had fallen by 17.5 per cent in January and February this year.

Reagan tells why grain ban stays

By Martin Jurek in Washington

PRESIDENT Ronald Reagan asserted yesterday that the threat of Russian intervention in Poland was a prime reason for his decision to maintain the partial U.S. grain embargo against the Soviet Union.

In an interview with the Washington Post, published yesterday but given on Friday, the President also warned that U.S. economic assistance to Poland would not be forthcoming if the Polish Government served as the instrument of Soviet repression.

The grain embargo, he said, "is something I would dearly love to be able to lift, but the very situation we've been talking about, Poland, the entire international situation is such that I at this moment do not see where we could lift it without sending a wrong signal."

The President was equally dismissive about the prospects of a nearly summit with President Brezhnev. He insisted that any such meeting should consider "the whole matter of the imperialism of the Soviet Union, their expansionism."

Both Mr. Alexander Haig, the Secretary of State, and Mr. Casper Weinberger, the Secretary of Defence, repeated in TV interviews yesterday their warning of the grave consequences to East-West relations that would result from any Soviet repression of Poland.

Economists give low marks to Government

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE GOVERNMENT'S economic strategy faces a powerful and unprecedented attack this morning from 364 university economists.

Treasury ministers would be wise to avoid sitting an economics exam in most British universities, to judge by the range and distinction of the signatories.

The list amounts to a "who's who" of the post-war British economics establishment, including 76 present or past professors and most of the key advisers to both Labour and Tory Governments.

The signatories, limited to present or past academics, include former Chief Economic Advisers to the Government such as Lord Roberthall, Sir Alec Cairncross, Sir Bryan Hopkin and Sir Fred Atkinson as well as other influential advisers such as Professor James Meade, Lord Kaldor, Lord Kahn and Lord Balogh.

The full statement says the signatories are "convinced that:

a—there is no basis in economic theory or supporting evidence for the Government's belief that, by deflating demand they will bring inflation permanently under control and thereby induce an automatic recovery in output and employment;

b—present policies will deepen the depression, erode the industrial base of our economy and threaten its social and political stability;

c—there are alternative policies; and

d—the time has come to reject monetarist policies and consider urgently which alternative offers the best hope of sustained economic recovery."

The statement is certain to cause a stir both in Whitehall and in the economics world both because of the number and prominence of the signatories and because of the strength of the wording.

Even before publication there were signs of a Whitehall counter-attack on the lines that the Government's strategy is supported by economic theory and that present policies will lead both to recovery and to a containment of inflation.

The statement was organised hurriedly after the Budget by Professor Frank Hahn and Professor Robert Neild, both of Cambridge University. There is a strong Cambridge representation both among those currently teaching or living there (54) and among former Cambridge economists now working elsewhere.

The signatories come from 36 universities and there are some significant exceptions. There is, for example, no one from Liverpool University, which has a strongly monetarist team in its economics faculty, and no one from the London Business School which has had considerable influence over the Government's economic strategy. The eight signatories from the City University do not include anyone from the pro-monetarist banking and finance group.

More economics news, Page 8
How to discredit economics, Page 12
How Britain is shaping up, Page 14

U.S. to pursue Namibia formula

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THE U.S. has decided that reaching an internationally-acceptable formula granting independence to Namibia will remain a cornerstone of its African policies.

A flurry of official statements and actions over the weekend, signalling the end of the protracted review of U.S. African policies, seems designed to assure black African leaders that, although the U.S. wants better relations and more trade with South Africa, it does not necessarily view the continent's problems exclusively in the light of the global strategic struggle with the Soviet Union.

To this end, Mr. Chester Crocker, the man nominated to be Assistant Secretary of State for African Affairs, will shortly visit the so-called "front line" nations, including Tanzania, Zambia, Mozambique and Zimbabwe, *as well as South Africa* to explore picking up the broken thread of the Namibian independence talks.

The U.S. has also asked Mr. Jonas Savimbi, Leader of Unita, the anti-government insurgent movement in Angola which has been operating with South African support, to postpone indefinitely the visit to this country he was due to begin this week.

In addition, Vice President George Bush will attend the Geneva meeting on April 9 and 10 convened to discuss African refugee problems. This, along with last week's U.S. pledge of an extra \$225m in aid over three years to Zimbabwe, is intended to demonstrate U.S. concern for African socio-economic difficulties.

Finally, the U.S. also reaffirmed over the weekend its standing policy of discouraging visits by South African military officials. Many African nations were outraged when Mrs. Jeane Kirkpatrick, U.S. Ambassador to the United Nations, secretly conferred with a South African delegation two weeks ago.

In an interview with the Washington Post, published yesterday. President Ronald Reagan stressed the need for a Namibian solution which resulted in an election, along the lines of that in Zimbabwe, "which should follow the adoption of a constitution that guarantees equal rights to all people in that country, property rights, minority rights."

He did not make clear, however, whether the solution he had in mind was similar to that advanced by South Africa and the Johannesburg backed provisional government in Namibia, Democratic Turnhalle Alliance, or modelled on the five-power initiative designed to put greater pressure on South Africa.

He said some African nations have "a chip on their shoulders towards us," something he *wished to remedy. He said South* Africa's policies of apartheid were "repugnant" but that U.S. experience in racial matters could be "helpful" to the Pretoria regime. The President's comments not withstanding, no imminent official statement is expected on the new parameters of African policy. Indeed, some of the President's remarks may even have the effect of further alienating black African states which believe, as Mr. Robert Mugabe, Prime Minister of Zimbabwe, put it at the weekend, that the US must in effect choose between black Africa and South Africa.

The Administration is aware of the need to defuse international concern before the planned debate next month on Namibia in the United Nations Security Council. This may produce a demand for sanctions against South Africa, forcing the U.S. to exercise its veto.

Industry recession deeper

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MANUFACTURING industry is sliding further into recession and the prospects remain gloomy for the rest of the year, this is in spite of a slowing down in the rate of decline of manufacturing activity during the past three months.

These are the main conclusions drawn this morning by the Confederation of British Industry from its monthly survey of trends in manufacturing industry.

They contrast sharply with the optimistic note about the recession bottoming out struck by the Chancellor of the Exchequer and other Ministers in the past few days.

Some of the Chancellor's optimism has been based on reports that de-stocking is ending. The CBI, however, stresses this morning: "In the subsequent quarters of this year, we expect that falls in all the major components of demand, and rising imports, will more than offset the results of slower de-stocking, so leading to a fall in GDP."

This forecast will be given to the Chancellor by the CBI at a meeting of the National Economic Development Council on Wednesday. The CBI will challenge Sir Geoffrey Howe to respond, and will link up with the TUC to complain about the Budget's lack of help on energy costs.

Continued on Back Page

BL in test case over rates bill

BY LISA WOOD

BL CARS is to take Solihull Borough Council, in the West Midlands, to court in a test case reflecting industry's long simmering anger over its increasing rates burden.

The company is claiming that Solihull's rates increase of 28 per cent is "so excessive as to be unreasonable."

The action is being brought under section 7 of the General Rate Act, 1967, which enables any person aggrieved by a rate demand, as against a rating valuation, to appeal against it.

This is believed to be the first time a company has made use of the Act. The chances of BL Cars succeeding is thought within Whitehall to be slim.

Similar action may be taken by other subsidiaries of BL.

The Confederation of British Industry said last night BL's action was "an indication of how concerned companies are becoming with the level of business rates."

Sir. Terence Beckett, the CBI's director general, writing in CBI News, published today, said it was the Government's failure to grasp the nettle of public spending that made the Budget such a disappointment. Whitehall and town halls, he said, should manage with fewer people, pay them sensibly and work harder.

Last year BL Cars paid £1.32m in rates to the council at Solihull, where it has two plants. The council's 28 per cent increase for industrial occupiers from next month will add £500,000 to the bill.

Overall, BL Cars' total rates bill across the country will rise this year from £13.7m to about £17.2m.

Earlier this month Sir Michael Edwardes, BL chairman, in reporting the company's record losses of £535.5m last year complained of the increased rates bill dnaurged subsidiary companies to protest vigorously.

BL Cars said yesterday that, in taking legal action against Solihull, it was seeking a public justification of the rates increases from the council. At the same time it said, the hearing at the county court would give the company an opportunity to state what the effect of such an increase would be

Mr. Ray Horrocks, managing director of BL Cars, said: "It is only too evident that the discipline and determination being shown by manufacturing industry to contain costs is not present in many local authorities."

During the last three years BL had shed 56,000 workers at its plants and the workforce had accepted single figure wage settlements. "We cannot sit by and see the efforts being made by us and all those who support us, being undermined by unjustifiable and irresponsible rates increases," Mr. Horrocks said.

Foreign Office backs Trudeau

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE Foreign Office is advising the Government to comply with the expected request from Mr. Pierre Trudeau, the Canadian Prime Minister, to give the Canadian Government powers to change its constitution.

But the British Government may not be able to deliver the votes at Westminster necessary to ocmply with such a request

Mrs. Thatcher has been informally warned by the party Whips in the Commons that they might not be able to get a majority for such a Bill if the legislation is still opposed by the Canadian Provinces.

The Prime Minister has been told that even some members of the Government might feel unable to support a Bill which contained the Bill of Rights some of the Provinces find so objectionable.

Last January the Commons Foreign Affairs Committee criticised Mr. Trudeau's plans. The committee argued that if *the legislation was still being* contested by the majority of the Provinces the Commons should reject a request from the Federal Government to pass the necessary legislation. It maintained that Westminster had a role to ensure that any request from Ottawa conveyed the clearly expressed wishes of Canada as a whole.

The Foreign Office, which is expected to publish its views just before Easter, rejects this view. But its report is unlikely to kill off the opposition to the Bill at Westminster. A sizeable number of Tories, with many Labour MPs, are threatening to oppose it, either on constitutional grounds or simply because *they are sympathetic* to the case of the Canadian Provinces.

Until now the Government has been careful not to commit itself on the Bill. All the Prime Minister has said is that it will be dealt with "as expeditiously as possible and acording to precedent."

But it wil be forced to take up a position shortly when the

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Giscard reveals plans for 1m jobs

By Terry Dodsworth in Paris

PRESIDENT VALERY Giscard d'Estaing of France issued the first detailed proposals of his campaign for re-election at the weekend with a seven point plan aimed at creating 1m jobs over the next five years.

The President's move is clearly designed to neutralise the capital his opponents in the election campaign have been making out of the steep rise in unemployment during his seven years in office. He has already admitted that this increase, from about 450,000 unemployed in 1974 to 1.6m today, was one of the greatest failures of his Presidency.

"The central promise of my campaign is to make a job available to all those young people who want one, while achieving a significant reduction in unemployment," he said in an exclusive interview with L'Express weekly magazine.

President Giscard's programme comes after all the other main candidates in the election campaign have announced their own plans for creating new jobs. But his proposals are markedly different in that he ostentatiously avoids all promise of reflationary measures to boost unemployment.

Instead, the President has directed the thrust of his plan towards a different division of labour amongst the available labour force, with a greater bias towards placing young people in employment. A large part of the necessary 1m jobs, he argues, can be found by repatriating immigrants and persuading older workers to take earlier retirement.

By contrast, M. Francois Mitterand, the Socialist candidate, is advocating a big public works programme and an expansion of the public sector.

AS POLAND'S LEADERSHIP FACE A GENERAL STRIKE . . .

Pact war games pressure Warsaw

BY LESLIE COLITT IN EAST BERLIN

TROOPS AND naval units from the Soviet Union, East Germany and Poland continued their war games in and around Poland. East European officials here say the manoeuvres are designed to put pressure on the independent Solidarity union.

East Germany's official news agency said that at a Polish training area, Soviet, East German and Polish forces yesterday "destroyed" paratroops representing the enemy. Other Warsaw Pact units used "all types" of modern weapons in what were officially described as staff exercises but which involved tens of thousands of troops.

East German reports said armoured and artillery units which took part in the more than 10-day old manoeuvres since the start were pulled back to their bases and replaced with fresh units.

Western military observers felt that at this point it is difficult to tell whether more Soviet and East German soldiers may have entered Poland than were withdrawn. They say one of the military goals of the Soyuz 81 manoeuvres is to assure that the Polish Army cannot act independently of the Warsaw Pact command under Soviet Marshal Viktor Kulikov.

In the southern part of East Germany troops took part in night time exercises using live ammunition. The manoeuvres are the main item in East German news broadcasts and extensive coverage is given to the exercises on television each evening. By contrast nothing has been said about the meeting of the Polish Communist Party Central Committee nor about the negotiations between Solidarity and the Polish Government.

The East German news agency said that Marshal Kulikov, in the course of inspecting Soviet and Polish warships in the Baltic Sea also stopped off in the city of Gdansk. The agency noted that as a commander of a tank unit of the second Belo-Russian front during the Second World War he took part in the liberation of Gdansk. It added that the Soviet Commander-in-Chief is an honorary citizen of the Polish city. The presence of Marshal Kulikov in Gdansk, where the Solidarity union has its headquarters is a demonstration of the Soviet claim to influence in Poland that goes back to the Soviet liberation of that country from the Nazi occupation.

IN LONDON *senior executives of Citicorp and Manufacturers Hanover Limited denied weekend reports that Poland had fallen into default on a syndicated credit Peter Montagnon reports. No such default has been called on loans to Poland for which these banks are agent.*

Poland has always insisted that it would meet its debt service obligations to the West, despite its well-publicised cash problems.

Many bankers believe that without Soviet financial assistance, Poland would now be quickly forced to default. Some recently expressed concern that Soviet displeasure over Solidarity may have made Moscow less willing than before to extend financial help.

Solidarity leader Lech Walesa hands vice premier Mieczyslaw Rakowski a report on police violence against demonstrators in Bydgoszcz when the two met on Saturday.

Tass gives union toughest warning yet

BY DAVID SATTER IN MOSCOW

THE OFFICIAL Soviet news agency Tass yesterday delivered perhaps the most ominous Soviet warning so far to the Solidarity independent trade union.

The agency said Solidarity was now making intensive preparations for an open struggle against Polish state power and claimed that the union was actually being run by members of the Kos-Kor Polish dissident group. It said that in its brazen actions Solidarity was disregarding Poland's legitimate authorities.

Tass said Solidarity was doing everything possible to impede negotiations with the Government on prevention of a general strike and it accused the union of preparing to occupy factories.

The news agency said that instructions published in a local newspaper and distributed by Solidarity call for the takeover of enterprises and the dismissal of administrative personnel with all movement in and out of factories to be controlled by the leaders of the union.

The appearance of the Tass dispatch, which was expected to be carried in all central Soviet newspapers today, meant that, after weeks of steadily toughening rhetoric, the propaganda preparation for an invasion of Poland is virtually complete.

As the crisis worsened, there remained little way, however, to gauge the Soviet Union's ultimate intentions.

Cairo drops Sinai force objections

IN THE face of general reluctance by most countries so far consulted, Egypt has reversed its policy on the participation of U.S. troops in a multinational Sinai peacekeeping force, and said that in principle it had no objections to them taking part, Anthony McDermott writes from Cairo.

This force, under the terms of the 1979 Egypt-Israel peace treaty, would patrol the area of Israel's final withdrawal from Sinai, due to be completed by April next year.

This was announced on Saturday by Dr. Osama el-Baz, under-secretary at the Egyptian Foreign Ministry after talks with Mr. Michael Sterner, the U.S. deputy assistant secretary of state, who leaves Cairo after two days of negotiations today for Tel Aviv.

Mr. Sterner said the U.S. participation will be subject to congressional approval. He is expected back in Cairo on Wednesday in time for the visit of Mr. Alexander Haig, the U.S. Secretary of State.

India 'assured'

Indian officials say the country has been assured by Mr. Robert McNamara, president of the world bank, that India would continue to get 40 per cent of the funds of the International Development Association (IDA), the bank's soft-loan affiliate, writes K. K. Sharma from New Delhi.

Salisbury poll

Salisbury, soon to be renamed Harare, will have its first black mayor after yesterday's local government elections in which nearly 160,000 black voters went to the polls for the first time to elect city councillors, our Salisbury correspondent writes. Results will be declared today.

Eire election

Dr. Garret M. Fitzgerald, the leader of Ireland's main opposition party, Fine Gael, indicated at the weekend that the country's next general election will be held in May, Stewart Dalby writes from Dublin:

Spanish investments

Spain has prepared legislation aimed at attracting foreign capital, which reduces the bureaucracy encountered by foreign investors and limits authorisation for investments, previously required by the Cabinet, to capital in excess of Pta 500m (£2.5m), our Madrid correspondent writes.

Viola sworn in

General Roberto Viola was sworn in yesterday as Argentina's 38th President for a three-year term, Reuter reports from Buenos Aires. He succeeded General Jorge Videla.

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Gulf war 'boosts Iran's money supply by 40%'

BY TERRY POVEY IN TEHRAN

IRAN's President, Abol Hassan Bani-Sadr, warned yesterday that continued lack of economic growth could lead to widespread social and political tensions in the country. In a lengthy statement on the economy the President said that six months since the start of the war with Iraq, Iran's money supply had increased by 40 per cent up to an all time record level of rials 1,430bn ($18.9bn). Savings had fallen by several hundred billion rials in the course of the war.

In what can only be described as the bleakest account yet of the economy by any Iranian official, President Bani-Sadr yesterday blamed inflation, rising budget deficit, high government spending, increasing unemployment, and withdrawals from the banks on the political instability and lack of law and order in the country. The only solution, he claimed, was "to increase production and to gain the people's confidence so that they would discipline their demand for goods."

According to the statement private savings reached a record rials 2,600bn ($34.4bn) in March 1980. In the two months prior to the start of the war confidence in Iran's banks was shaken by "irresponsible statements" said Mr. Bani-Sadr. In four months, July 21 to November 21, rials 270bn ($3.6bn) of savings were withdrawn as a result. Subsequent withdrawals lead observers to believe that some rials 430bn ($5.3bn) were withdrawn in the last half of 1980.

The money supply rose by almost the same amount in this period so that in the six months following the start of the Gulf war the equivalent of $5.4bn were issued by Iran's Central Bank in new notes and coins. According to the President, most of this money issued was to cover the "chronic budget deficit." This he estimated to have been rials 800bn ($10.6bn) in the six months from September 21 to the end of the Persian year on March 21. The war began on September 22.

Inflation, said the President, was running at an annual rate of 27 per cent although he admitted that Iran's Central Bank's cost-of-living surveys were inadequate and that the poor were certainly suffering a much higher rate of price increases on essentials. Rationing introduced since the start of the war had made things worse, said Mr. Bani-Sadr, creating a black market and fuelling a smuggling boom.

● Leading clergyman Ayatollah Abdolrahim Rabini-Shirazi was recovering yesterday following an attempt on his life.

James Buchan writes from Jeddah: A peace mission representing the Moslem countries leaves Jeddah for Tehran today in a mood of guarded optimism that it can secure a cease-fire in the seven-month-old Gulf war.

The leaders of six members of the Islamic Conference, including President Zia Ul Haq of Pakistan and President Ahmed Sekou Toure of Guinea, will follow up proposals submitted to Iran and Iraq last month.

Beirut fighting checked

BY IHSAN HIJAZI IN BEIRUT

PRESIDENT Elias Sarkis of Lebanon yesterday sent a special envoy to Damascus to discuss measures for ending a violent confrontation between rival factions in Beirut which have generated fears about the recurrence of civil war.

Brigadier Sami al Khatib, the Lebanese commander of the Syrian-controlled Arab Deterrent Force in Lebanon, carried proposals for redeployment of forces on the demarcation lines which separate the mainly Christian East Beirut from the predominantly Moslem western sector.

A ceasefire on Saturday checked seven hours of heavy fighting across the demarcation lines which had brought movement of traffic between the two parts of the divided Lebanese capital to a standstill.

It was the first ceasefire of its kind since Syrian troops and Christian militias battled each other here three years ago. Artillery, rockets and heavy machine guns were used by both sides and the fighting engulfed units of the Lebanese regular army deployed in the capital.

Dead Sea Canal move

BY OUR JERUSALEM CORRESPONDENT

ISRAEL'S Cabinet yesterday approved a route for the proposed Mediterranean-Dead Sea Canal, clearing the way for an early start to work on the $700m project which is hoped to provide eventually about a quarter of the nation's power needs.

The Cabinet decided to start the work at the eastern end of the route. Present plans call for the canal to pass through the southern part of the Gaza Strip and its Mediterranean end.

By deciding to start at the opposite end of the waterway Israel leaves itself time to switch the route later on and direct it through less controversial territory.

The aim of the project is to steer Mediterranean waters across Israel to the Judean Hills about the Dead Sea. In their 1,200-feet tumble to the Dead Sea level, the waters would thrust through turbines with a force capable of producing some 600 MW of power.

Subsidised finance hurts German plant sales

BY KEVIN DONE IN FRANKFURT

WEST GERMANY'S powerful process plant industry is finding it increasingly difficult to compete in world markets against the subsidised interest rates and tied development aid offered by most rival countries.

New orders taken last year totalled some DM 20.3bn (£4.27bn), a nominal increase of 5.8 per cent, but in real terms the volume of new orders won is stagnating and is still below the peak reached in 1978 of DM 21.6bn.

Orders from outside West Germany amounted to DM 13.7bn, an increase of 9 per cent over 1979 and foreign contracts accounted for 68 per cent of the new work won by West German plant makers in 1980.

Orders were taken in no less than 76 countries, but just 11 nations account for more than half the new work booked. By far the most important customer for West German process plant is Saudi Arabia, which alone placed orders worth DM 1.489bn last year.

China, despite the question marks that have emerged in recent months over several big process plant projects, is still a major market for West Germany, and placed new orders last year worth DM 903.7m with German companies. The most important single order, which has not been hit by the rash of plant cancellations, was for a DM 440m pipe rolling mill awarded to Mannesmann Demag.

DESPITE the tide of complaints from West German process plant makers about mounting competition from Japan, Mannesmann Demag said at the weekend that it had won a DM 120m contract for the construction of a pipe-rolling mill in Japan.

The order has been placed by Nippon Steel and the plant, which will come into production in the summer of 1983, is to be built at Yamata. The pipe plant will be built with West German engineering by Mannesmann Demag's licensee in Japan, Mitsubishi Heavy Industries.

Nonetheless, the West German Industrial Plantmakers' Association said that German projects worth some DM 2.5bn were now in doubt in China and could be subject to either cancellation or postponement.

The other most important markets last year for German process plant were the USSR (DM 821.7m), Libya (DM 658.6m), South Africa (DM 653.6m), Indonesia (DM 611.5m) and Kuwait (DM 607m).

According to Dr. Theodor Messing, president of the Plantmakers' Association, West German process plant companies are increasingly having to bid for contracts through other countries, such as the UK or France, where better financing conditions can be obtained, or else they are having to sub-contract abroad a larger proportion of their work in order *to cut costs and make bids more* competitive.

The West German share of deliveries of equipment and supplies involved in foreign contracts booked last year fell back to only 78 per cent. Some companies, such as Uhde, have given up bidding for credit-financed deals from West Germany and are channelling *bids through subsidiaries.*

The refusal of the West German Government to subsidise interest rates meant a price disadvantage of 20-30 per cent for West German plantmakers, claimed the association.

HK power deal details expected

By Hazel Duffy

THE UK Government is expected to announce details today of a £550m contract for the supply of a complete power station to the China Light and Power Company in Hong Kong.

The contract is believed to be the largest export order ever secured by British industry and will bring substantial work into UK factories.

The main contractor is GEC Turbine Generators (part of the GEC group) and the principal sub-contractor is Babcock Power which will provide the boilers for the 2,640 MW coal-fired power station.

Financial arrangements have been made in London by a leading merchant bank to cover the contract amount, with full backing of the UK Government's Export Credits Guarantee Department.

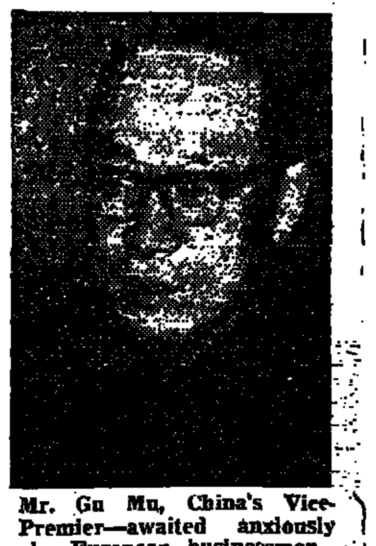
***This will be the second com*plete power station to be supplied by a GEC-led consortium to China Light and Power. The first, Castle Peak A, currently under construction, is to be visited today by Lord Carrington, Britain's Foreign Secretary, who is on a visit to Hong Kong and China.**

Hong Kong's requirements for electric power are growing at the rate of 3 to 4 per cent per annum with the development of new industries. China Light and Power, which supplies power to Kowloon and the New Territories, as well as to neighbouring China, formed a subsidiary company to run Castle Peak A in which Exxon, the major international oil corporation has a 60 per cent stake, and it is expected that a similar arrangement will be made for Castle Peak B.

EASTERN TRADING PROBLEMS MOUNT FOR THE WEST

China's cuts worry EEC

BY GILES MERRITT IN BRUSSELS



Mr. Gu Mu, China's Vice-Premier—awaited anxiously by European businessmen.

CHINA's Vice-Premier, Mr. Gu Mu, will stand up in Brussels this morning and tell 400 top European industrialists why his Government has cancelled more than $2bn worth of capital projects, many of them being undertaken by EEC engineering groups, in what has been dubbed as Peking's Great Leap Backwards.

That, at any rate, is what European Commission officials are hoping. For Mr. Gu Mu has come to Brussels with an unprecedentedly large team of 100 Chinese industrial experts to take part in an EEC-China Week organised by the Commission as a practical step towards strengthening Sino-European trade.

But what seemed a comparatively straightforward exercise when first mooted three years ago, as China embarked on a thrusting development plan centred on 120 major industrial projects, has since been clouded by Chinese economic retrenchment.

The list of EEC groups with fingers burnt by cancellations or "reviews" of their contracts includes the UK's Davy Corporation and constructors John Brown and West Germany's Zimmer, Lurgi and Schloemann Siemag.

So what the 400 senior executives attending the fortnight-long China-EEC meetings most want to hear is a clear and authoritative statement of the Peking Government's foreign trade policies and needs over the coming five years. As head of the Foreign Investment Control Commission, which controls a clutch of key Chinese ministries and the third most powerful economic policymaker in China, Mr. Gu Mu is just the man to do that.

He is unlikely to dwell on the background of his country's disconcerting go-stop moves on economic development since mid-1979. That would entail explaining the embarrassingly incoherent effects of a sprawling bureaucracy. It would also require explanation of the internal struggle in the topmost echelons of power.

Mr. Gu Mu is much more likely, therefore, to stick to the practical details of China's much-modified industrial purchasing programmes. For with its chief chemicals, man-made fibres and steelmaking projects now in limbo, the emphasis is being switched to demand for lighter manufacturing and transformation machinery.

Last January, an EEC commission delegation flew to China to discuss an urgent overhaul of the EEC-China Week. It had originally been planned as a means of *boosting Chinese* exports to the EEC.

But with China's economic U-turn, the talks established that the Brussels conference should aim to promote the exports of each side equally.

For EEC industry, six broad sectors have been identified for which equipment is needed by China. The first is light industries, meaning such consumer goods as torches, bicycles and clocks. Then there is textiles equipment, together with machinery for China's growing hides and furs business.

At the heavier and more sophisticated end of the scale, China is looking for technology for its minerals and metals sector, for the production of chemicals and pharmaceuticals, and for agricultural and engineering machinery.

Call to stem technology flow to Soviet Union

BY PAUL CHEESERIGHT

CHOKING the flow of technology from the West to the USSR is advocated today in a research paper from the Institute of Economic Affairs.*

The transfer cannot be completely prevented but it can be delayed, argues Mr. Philip Vander Elst, an IEA researcher. This would maintain and perhaps increase the technological superiority of the U.S. and its allies over the USSR. It would contain Soviet expansionism and promote peace.

This conclusion is based on the argument that the Soviet system of economic organisation is incapable of fostering technological innovation. The import of Western technology has provided the missing ingredient.

"As well as providing a source of technical modernisation, imported Western technology releases domestic resources for military uses by saving the USSR large sums in research and development costs," Mr. Vander Elst says.

He considers that if the West is to avoid Lenin's prediction that "when things go very hard for us, we will give a rope to the bourgeoisie and the bourgeoisie will hang itself," Western politicians will have to be willing to accept new legal curbs on East-West trade.

Beyond this, Mr. Vander Elst does not go far in suggesting a means by which such curbs could either be agreed or enforced.

There is, however, considerable dispute among Western nations about the wisdom of curbing trade links with the USSR and, indeed, there have been cases where European companies have apparently moved into the gap left by U.S. rivals.

Mr. Vander Elst's paper is thus a contribution to a debate of gathering force, especially in the U.S., where an inter-agency working group has submitted to the National Security Council recommendations for stiffening U.S. export control regulations.

This was disclosed by Mr. Robert Keuch, associate Deputy Attorney-General at the Justice Department before a House of Representatives foreign affairs sub-committee.

Illegal exports of sophisticated technology amount to "a significant national security problem," he said.

* *Capitalist Technology for Soviet Survival by Philip Vander Elst; Institute of Economic Affairs, London; March 1981; £1.50.*

SHIPPING REPORT

A boost for freight rates

By William Hall, Shipping Correspondent

FREIGHT RATES have received a psychological boost from the news that the threatened U.S. coalminers' strike will not now take place. The Gulf-Japan grain rate has risen by 50 U.S. cents and the Gulf-Continent grain rate has strengthened to $17.25 a tonne.

The Chinese have been fairly active charterers of grain tonnage and the Russians have also been busy outside the London market which they regard as relatively expensive at the moment.

However, looking slightly longer term, some owners are nervous about the bulk carrier market. Some 15m dwt of tonnage is tied up waiting for cargoes outside America's East Coast coal ports. If this surplus tonnage was to be reduced freight rates could weaken significantly.

In the tanker market, there has been a slight improvement in rates for very large crude carriers (VLCC) for the first time in several weeks with rates for Gulf-Europe rising to Worldscale 27.5.

However, the longer-term outlook is far from optimistic and Galbraith Wrightson reports that U.S. oil companies are discussing shelving some of their plans for developing deep water oil terminals.

The one hope is that the number of giant tankers being sent to the scrap yards will accelerate.

Since the first VLCC was scrapped in 1978 another 40 of the world's fleet of 700 giant tankers have been broken up.

UK food exporters look to European markets

BY OUR WORLD TRADE STAFF

THE BRITISH Food Export Council is to intensify its export effort in the EEC market this year as part of an effort to reduce the major *deficit in the UK's food trade.*

The value of the industry's exports last year rose 17.7 per cent to £2bn, with the EEC taking 61.8 per cent, but, the Council noted, imports totalled £5.5bn.

The Council is seeking an increase of 5 per cent in real terms. Last year, the rise in value disguised the fact that in many categories there was either a static performance or a decline in volume.

● Hawker Siddeley Power Engineering is to design and construct a new power station for the Government of Gibraltar Electricity Department in a turnkey contract worth £6.7m. *The contract includes* the supply of two diesel generating sets with their ancillary equipment, bulk fuel storage facilities, vacuum switchgear, transformers and a waste heat recovery system. The station will be finally commissioned in July 1982.

● Ruston Bucyrus, the Lincoln crane and excavator manufacturers, is to supply £4m worth of electric shovels to India under a coal production development programme. The equipment is being financed out of an £8m grant the UK Government has made to India for coal developments.

● Computer Resources has signed a contract worth £2.6m *for the provision of* software, technical support and training to a data centre being established for General Presidency of Youth Welfare in Saudi Arabia. The development is part of Saudi Arabia's Third Development Plan.

● Orders worth £31.5m were placed with British industry during February arising from the Government's aid programme. The biggest was for mobile port cranes, worth £765,000, which are to be supplied to Kenya by Jones Cranes of Letchworth.

World Economic Indicators

UNEMPLOYMENT

		Mar. '81	Feb. '81	Jan. '81	Mar. '80
UK	000s	2,484.7	2,463.3	2,419.5	1,478.0
	%	10.3	10.2	10.0	6.1
		Feb. '81	Jan. '81	Dec. '80	Feb. '80
W. Germany	000s	1,299.9	1,308.6	1,118.3	992.5
	%	5.0	5.1	4.3	3.8
Japan	000s	1,350.0	1,230.0	1,180.0	1,110.0
	%	2.2	2.2	2.1	1.8
France	000s	1,667.7	1,680.3	1,632.0	1,447.6
	%	7.4	7.5	7.3	6.4
Italy	000s	1,935.1	1,934.2	1,856.4	1,801.5
	%	8.8	8.8	8.4	8.2
Netherlands	000s	346.7	342.8	322.4	227.3
	%	6.8	6.7	6.3	4.5
Belgium	000s	427.2	429.5	430.5	348.8
	%	10.6	10.6	10.6	8.6
USA	000s	7,800.0	7,847.0	7,925.0	6,300.0
	%	7.3	7.4	7.5	6.0

Ten Largest Companies

1 BP (1)
2 Shell Transport (2)
3 GEC (18)
4 ICI (3)
5 Marks and Spencer (5)
6 Great Universal Stores (6)
7 Beecham (25)
8 Rio Tinto-Zinc
9 Boots (19)
10 BAT Industries (4)

(1966 rank in brackets where applicable)

Changing shape of top 100

OVER the past 15 years 46 companies have dropped out of the list of Britain's 100 largest *companies, according to* the magazine Management Today.

Of the 54 in the list, based on market capitalisation both 15 years ago and today, several have declined in status.

Guest Keen and Nettlefolds, for example, 13th in 1966, is 48th today. BICC is down from 27th to 46th place; Metal Box from 32nd to 88th; Tube Investments (30 to 98); and Vickers (79 to 100).

Turner and Newall, and Dunlop—29th and 34th respectively in 1966—are no longer in the table. Nor are London Brick and Debenhams.

Among the top 10 largest companies, BP and Shell Transport retain the first and second places they held 15 years ago.

Management Today's top 10 companies by growth rating over the 15 years—the total return, in capital appreciation and gross dividends, on the middle share price in 1966—are all new to the top 100 since 1966 when "some were almost invisible."

Growth Rating 1966-81

		%
1	Racal	+5,569
2	Ladbroke	+3,592
3	Ultramar	+3,588
4	Electronic Rentals	+3,579
5	Hanson Trust	+3,281
6	Trafalgar House	+2,921
7	Electrocomponents	+2,854
8	BTR	+2,111
9	Tricentrol	+1,762
10	De La Rue	+1,269

Shipbuilding research

BRITISH SHIPBUILDERS has formed a new company to concentrate on the corporation's research and product development programmes.

The company, British Shipbuilders Hydrodynamics, has been formed in line with the BS reorganisation plans, announced last autumn, which stressed the importance of technical developments.

GM merges Vauxhall, Opel sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS is about to radically change its distribution arrangements in Britain by combining the Vauxhall and Opel dealership networks.

Details are likely to be given to Vauxhall dealers tomorrow at a meeting with the company. The new network would combine the 600 or so Vauxhall dealers with about 220 who sell Opels.

Masterminding the merger will be Mr. John Bagshaw, who started with General Motors-Holdens in Australia and spent a short time at the head office in Detroit before moving to Vauxhall at the end of last year.

Vauxhall has so far only said that Mr. Bagshaw "has joined the sales team" but no specific appointment for him has so far been announced.

The move will undoubtedly be widely welcomed by Vauxhall dealers, who have been pressing for the merger for some years.

In the past, GM has always pointed to its success with selling competing marques in the U.S.—where it trades as Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac.

However, on the Continent it uses only the Opel name and Vauxhall car exports and its dealership network have been phased out to all but a handful of remaining countries.

Last year, Vauxhall sold 109,219 new cars in Britain taking a 7.2 per cent share of the market against 112,398 and a 6.54 per cent share in 1979.

Opel's registrations numbered 22,870 last year, giving it a 1.51 per cent share, compared with 27,216 and 1.58 per cent in 1979.

GM reorganised its European production six years ago and Opel in West Germany took responsibility for car development. Since then, the whole Opel-Vauxhall range has been renewed. GM has been concerned about the lack of progress in its attempts to improve market penetration in the UK.

Car industry forecast cut, Page 6

NCB seeks quick approval for mine in Vale of Belvoir

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE National Coal Board is looking for rapid government approval of its plans to mine in the Vale of Belvoir, Leicestershire, following an NCB decision to cancel proposals for a £200m pit at Park, Staffordshire.

The board has shelved indefinitely plans for a pit at Park, just outside Stafford, because the high chlorine content of the coal—6 per cent—causes corrosion problems in power station boilers.

Park, together with the Vale of Belvoir, in Northeast Leicestershire, once formed an important element of the NCB's "Plan for Coal," designed to set the UK industry on an expansionary path.

The NCB said that the "deferment of the Park project puts a fresh emphasis on the need for an early and positive decision on the board's application to develop three new mines in the North East Leicestershire coalfield."

A six-month public inquiry into the NCB's plans to mine 7.2m tonnes a year in the Vale of Belvoir area ended in May. The inspector who headed it submitted a report in December to Mr. Michael Heseltine, the Environment Secretary. But a government decision on Belvoir is not expected until May at the earliest.

The NCB had hoped to proceed immediately to a public inquiry into the Park project once Belvoir was out of the way. The Staffordshire pit was to have produced 2.2m tonnes of coal a year for about 45 years, most of it destined for Central Electricity Generating Board power stations.

But despite years of study the NCB and the CEGB have failed to solve the chlorine problem and do not appear close to doing so. Without the backing of the CEGB the Coal Board sees no point in pressing for Park at a public inquiry.

With an estimated 100m tonnes of extractable reserves, Park would have employed 1,400 men at full production and have provided work for miners from other local pits nearing the end of their life, notably West Cannock 5, which is expected to close in the next few years.

In December the NCB floated the idea of building a new £100m drift mine near Cannock Chase instead of going ahead with Park. The pit would have surfaced at the site of an abandoned Coal Board mine, Cannock Chase 3, and would have mined recently identified reserves of coal east of Chasetown.

However, the NCB now says it sees little prospect for the early development of this mine and intends instead to increase capacity at existing Staffordshire collieries, notably the recently combined Hem Heath and Florence pits.

Despite the recession, which has slashed demand for energy, the NCB says long lead times mean it has to invest in new capacity now if it is to meet a rising need for coal in the late 1980s and 1990s.

Grocery prices rose steadily in March

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

FOOD PRICES continued their steady upward trend in March, according to the latest Financial Times Grocery Prices Index.

The March index stood at 132.76, compared with 131.75 in February. The increase marks the fifth month in succession that the index has increased.

In March the pattern which emerged in recent months repeated itself. Prices rose across the board instead of in any one sector. Meat prices, for example, represented the biggest single increase in the whole shopping basket, but these increased only about 2.2 per cent.

The overall cost of fresh fruit and vegetables, normally one of the most volatile sections of the basket, rose only 0.5 per cent.

The index is based on data collected by 25 shoppers who monitor the same list of 100 grocery items each month in the same shops. The shops chosen range from superstores to small village grocers.

The grocery prices index is meant as a guide only and not as an absolute indicator of food prices. These can vary according to shop, type and region.

In the grocery market generally the major retail chains are gearing themselves up for the Easter holiday period. This normally leads to a surge in food sales.

However, some store groups such as Tesco have decided not to promote groceries on television in the immediate future.

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FT SHOPPING BASKET MARCH, 1981

	March £	February £
Dairy produce	670.02	669.05
Sugar, tea, coffee and soft drinks	211.55	211.49
Bread, flour and cereals	307.43	304.31
Preserves and dry groceries	112.95	109.52
Sauces and pickles	54.76	54.46
Canned goods	190.36	190.43
Frozen foods	234.61	231.01
Meat, bacon, etc. (fresh)	551.95	539.88
Fruit and vegetables	248.04	246.78
Non-foods	241.23	244.40
Total	2,822.90	2,801.33

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84; November 127.77; December 129.38.

1981: January 130.96; February 131.75; March 132.76.

Recession hits food spending

BY RICHARD MOONEY

EVIDENCE THAT the economic recession *is beginning to affect* British eating habits is provided by a Government report published today which shows that household expenditure on food fell in the final quarter of 1980 in real terms compared with the same period of 1979.

Figures released by the Ministry of Agriculture show *that spending on food for con*sumption in the home averaged £7.25 per person per week in the three months to December against £6.71 a year earlier. But this 8 per cent rise fell short of the 9.5 per cent increase in the food price index.

In volume terms, quite substantial consumption falls were recorded for butter, sugar, *mutton* and lamb, and poultry meat, and more modest ones for milk, eggs, pork, green vegetables and potatoes. A rise in margarine consumption took it above butter consumption for the first time since 1956. Increases are also reported for *cheese, beef, frozen vegetables,* citrus fruit, apples and bread

Tougher state billing policy attacked

MOVES BY nationalised industries to tighten up payments from customers have provoked strong criticism by the Engineering Employers Federation.

In a submission to the Government today the federation says it has more than 100 letters of complaint from engineering companies.

"Most of the complaints," it says, "concern new payment terms imposed by the Gas and Electricity Boards and by British Telecom, as well as the arrogantand arbitrary way in which they deal with apparent late payment."

The federation says companies believe that nationalised industries were trying to ease *their cash flow at the expense* of private industry, rather than by tackling their own internal inefficiencies.

The London Electricity Board, for example, no longer issues final notices to commercial customers. If an account remains unpaid 21 days after the invoice is sent, the supply is cut off.

City bank asked to buy stake in TV group

By Rosemary Burr

CHARTERHOUSE, THE City banking group, has been asked by the Independent Broadcasting Authority to bid for a stake in Yorkshire Television, presently a subsidiary of Trident Television.

Mr. Bruce Fireman, a director of Charterhouse, said yesterday that IBA had approached the bank to put together a financial package on the basis of keeping Yorkshire's present staff and sticking to the programme schedule agreed at the time the IBA renewed the company's franchise.

When the franchise was renewed three months ago, Trident was told to offload the bulk of its holdings in both Yorkshire and Tyne Tees. Trident's proposals for changes in the shareholding of Tyne Tees have been accepted. But the IBA's talks with the company over Yorkshire have reached an impasse.

After rejecting Trident's initial suggestions, the authority said it would augment further talks with the company by *approaching groups which had* previously expressed an interest in funding new television companies.

Charterhouse was part of a consortium which failed to win the then Southern Television area franchise.

Lack of financial information on Yorkshire, which is understood to need a capital injection in the region of £12m, is slowing Mr. Fireman's task in assessing whether to make a bid.

Inquiry into capital increases

BY JOHN MOORE

THE Council for the Securities Industry, the City watchdog on *self-regulation of the securities* business, plans to study how companies increase their share capital and whether shareholders get a fair deal.

There is concern that increases in capital are sought long before the issue is needed, for example for acquisitions, and that resolutions at annual meetings seeking shareholders' support are often passed as formalities.

Some City observers regard the trend as "unreasonable," particularly if there is no apparent need for the increase. Once they have passed the increase shareholders give up their opportunity to argue over its necessity and size.

Last week Lonrho, the multinational trading conglomerate, attracted criticism from Gulf Fisheries, a major shareholder in the group, for increasing its capital from £72.5m to £85m by the creation of 50m shares.

A representative of Gulf Fisheries, the Kuwaiti-controlled investment group, told shareholders at the annual meeting that Lonrho currently had 26m uncommitted shares representing 9.8 per cent of the presently issued and committed shares of the company.

"There is no justification for the increase in share capital," he said. Gulf Fisheries voted against the resolution.

Lord Duncan-Sandys, Lonrho's chairman, said the purpose was to give the board "reasonable flexibility as we have had before."

He added: "You approved a similar resolution last year without which we could not have made a rights issue, which was undoubtedly a great success."

Accounting in banks criticised

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE Bank of England, the Stock Exchange and big accounting firms like Price Waterhouse are criticised in a report to be published this week about accounting standards in the UK banking industry.

The report, from IBCA Banking Analysis, a bank industry research firm, says in some respects financial reporting of UK banks "seems set rock-solid" in the late 19th century."

"In our opinion it is high time that the whole seething gallimaufry was cleared up."

IBCA wants the Bank of England to take on the role of reformer in this area, since it sees little hope of progress in other quarters.

The London Stock Exchange, whose role is central to self-regulation in the City, does not impress IBCA: "For fairly obvious reasons of self-interest the Stock Exchange is a toothless tiger as far as reporting is concerned, and anyway, it could concern itself only with listed companies.

"We can see no commonsense reason for supposing that the Stock Exchange would want to cause trouble by requiring that a listed bank should improve its reporting.

"The banks and the funds they manage, directly and indirectly, represent a large slice of the institutional business going through the Stock Exchange and we assume that the Stock Exchange Council would think more than twice before stepping on their separate or collective toes."

IBCA says that the large accounting firms which audit banks have until recently "shown little evidence that *they are interested in standard*isation."

It refers to the case of Price Waterhouse, auditors of both the Lloyds and Barclays banking groups, saying that Price Waterhouse is prepared "to tolerate significant variations in reporting methods and in accounting treatment in the two banks concerned.

"It is difficult to see how the same firm of auditors can apparently countenance without demur such totally divergent policies in two so similar companies. The concept of the true and fair view is, it seems, almost infinitely elastic."

"The obvious solution is that the Bank itself should impose reporting standards. No other body seems so eminently qualified or so endowed with the authority to do so, but realism forces us to doubt that the Bank is eager to assume the role we are attempting to thrust upon it.

"Until now it has always preferred to react rather than to lead and it is unwilling to prejudice its easy, informal relationship with the banks it monitors."

Available from IBCA, 2-12 Wilson Street, London EC2.

Disease on farms seems to be halted

By Richard Mooney

AS THE eighth day of the current foot-and-mouth disease scare now passed without any new cases being confirmed, *optimism grew* among British farmers that the outbreak may be under control.

The outbreak on an Isle of Wight farm diagnosed on March 21 remains the only confirmed case in Britain. There have been no new cases for over a week in Brittany, believed to be the source of the disease virus.

Even if Ministry of Agriculture continues to temper optimism with caution, however.

Affected animals normally display symptoms within five days of picking up the virus but *incubation has been known* to take as much as 14 days. It should also be remembered that Britain's last and worst epidemic in 1967/68 was interrupted by a 25-day clear period after which the spread of the disease resumed with all its earlier virulence.

Even if there are no more cases, the 1,000 sq. mile control area in which all animal movement is banned will remain in force for another 12 days.

The cordon covers parts of Hampshire and Dorset as well as the Isle of Wight.

On the island, 550 cattle and pigs have been slaughtered and buried—165 because they had the disease, and the rest as a precaution.

On the mainland, 16 cattle *sold from a farm* near the affected one, plus 19 others with whom they came into contact at Shaftesbury market, have also been destroyed.

Builders of oil rigs set for record

By Ray Dafter, Energy Editor

BUILDERS OF offshore oil production platforms can expect a record level of orders in the next few years, according to a report published at the weekend.

In spite of recent tax changes which have prompted the postponement of at least two offshore developments, the prospects for platform fabricating are "encouraging" say stockbrokers Wood, Mackenzie.

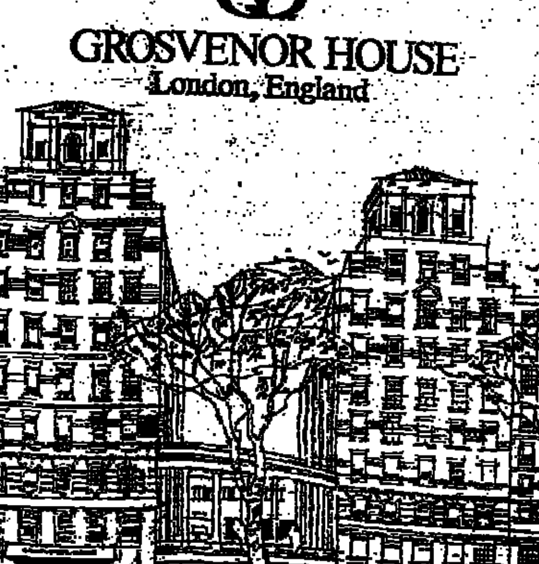
The brokers' monthly North Sea report forecasts that as many as 12 platforms could be ordered next year with perhaps a further 15 structures being ordered in 1983. These numbers compare with a record of 10 platforms ordered in 1974. Since then, the annual number of orders has averaged less than three.

Some of the large platforms could cost well over $1bn when fully equipped. But most of the new platforms will be small, *shallow-water structures* like those earmarked for the Morecambe field in the Irish Sea and gas fields in the southern sector of the North Sea.

Armalite judgment

Contrary to the impression given by a headline in Saturday's Financial Times, a High Court judge on Friday found that two directors of Armalite were in contempt of court by breaking an undertaking given to the court.

However, because he decided that the directors had not acted in bad faith he made no order against them. Instead, he ordered that Armalite should pay all the costs connected with the matter.



CONTRACTS AND TENDERS

COMPANY NOTICES

UK NEWS

CONSERVATIVE ANNUAL COUNCIL AT CARDIFF

BY ELINOR GOODMAN

Mrs. Thatcher reassures the Tory faithful

MRS. MARGARET Thatcher's trip to Cardiff this weekend was a return to where her bid to become Prime Minister began.

It was in the almost euphoric atmosphere of a rally at Cardiff City Hall just under two years ago that she launched herself on the election trail as a kind of latter-day Joan of Arc.

In a speech which set the tone of her whole campaign she presented herself as a politician of conviction with the determination needed to bring about a change in British politics.

This weekend, at a meeting of the Conservative Central Council, Mrs. Thatcher reassured the party faithful that she still had the conviction and sense of purpose which swept her to power in May 1979.

But Saturday's message was not quite as straightforward as the one at the election rally. Emphasis on the need for flexibility has grown during Mrs. Thatcher's 23 months as Prime Minister.

In the same way, a mood of resolution in adversity has taken over among party members from the euphoria of spring 1979.

The 500 at the two-day meeting were the super-faithful—the chairmen of all the local parties and their agents and women's group chairmen. For them, Mrs. Thatcher is still, as one put it, "our lode star."

In Westminster MPs may be muttering about the possibility of her having to go, but at the grassroots her support is still rock solid.

Just as the party activists stayed loyal to Mr. Edward Heath long after the knives were out for him at Westminster, the Tories in Cardiff were still prepared to defend Mrs. Thatcher.

The villains as far as they were concerned were those Ministers—rarely named—who have been rocking the boat by being openly disloyal to their leader.

Their anxiety, if they admit to one, is usually that tried and tested Tory scapegoat, com*munications. Ministers,* they say, just don't seem to be able to get their message across.

Activists at the annual council tend to be on the Right of the party, and they like the idea of "battling Maggie." Almost all the MPs who addressed the meeting played up to this image of the Prime Minister.

They paid tribute to her "guts and determination," using adjectives like "brave" and "courageous" with such frequency that they might almost have been reading from a Central Office brief.

Mrs. Thatcher herself was at her most resolute when she wound up Saturday morning's *proceedings. Her eyes glittered* straight into camera, in the way she has when she is determined to get her message across to the wider television audience.

"This is the road I am prepared to follow," he declared. "This is the road I must follow." Until her Government came to power, she said: "No one had the courage to stick at the *remedy long enough to allow it* to work."

She also praised the Chancellor for his "judgment" and promised that the Government would pursue his budget "as assiduously and determinedly as we can."

But Mrs. Thatcher put a new emphasis on the need for flexibility. In a key package—*presumably aimed in part at* explaining to the Party faithful apparent deviations from the gospel preached during the election, like the sums for BL and BSC — she set herself a new slogan: "In tactics flexibility, in strategy resolution."

She acknowledged that there *had been "inevitable setbacks" but despite these,* she promised, the Government would continue along the road it had set itself.

Mrs. Thatcher went out of her way to stress her personal unhappiness about unemployment —a factor which was barely mentioned during the election campaign. She called on those who were not affected by unemployment to "try to understand what it is like for those who are unemployed."

To those people out of work, albeit only for a short time, she said: "The short term must seem like a very long time."

And, in a message which is likely to become increasingly familiar in the next few months, she called on those in work to make sacrifices for the unemployed by exercising wage restraint.

Outside the city hall a group of several hundred demonstrators protested on behalf of the unemployed by throwing eggs and fruit at Mrs. Thatcher. But inside unemployment did not seem to be a major worry among delegates.

While almost all the Ministers who spoke referred to the problem, few of the speakers from the floor did. The debates showed what different priorities Tory activists have compared to either Tory MPs or the average voter.

The Chancellor's 20p increase in petrol duty was mentioned only twice during the two days. Far from querying, as some Ministers are doing, whether Sir Geoffrey is taking too rigid a line towards public sector borrowing, speakers at Cardiff were *urging him to take* a tougher line on spending.

The annual Council meetings tend to be less orchestrated for the benefit of the television cameras than the conference proper in the autumn. For this reason perhaps, some of the party's most outspoken characters are given their heads at the council.

On Friday, for example, Lt. Cdr. Noel Paulley, RN (Retd), a familiar figure at council meetings, said the battle to cut spending had already been lost. Who was kidding who? he asked.

It was very difficult, he said to loud applause, to reconcile the Government's record in office with its election promises.

Other speakers endorsed this criticism in a slightly more polite way, and a clapometer would have shown a distinctly lower rating for the calls to support Sir Geoffrey than for the calls for further cuts.

Throughout, Mr. Edward du Cann, who has added to his power base in the party by being elected this year's president of the party's National Union, sat nodding sagely on the platform.

The other thing which Tory activists still feel very strongly about is trade union reform. For Jim Prior, the Employment Secretary, the council meeting is an annual baiting session.

On Saturday he again had to sit through bitter attacks on his "feeble legislation" and repeated calls for tougher action to ban the closed shop. He was accused of having let the electorate down and sold the Party down the river.

But as on all previous occasions Mr. Prior was able to get the Conference's support for his policies. After he had pointed to the dangers of passing unenforcable legislation, and of risking uniting the unions against the Government, the motion criticising his approach was defeated by about two to one.

Mr. Prior, who still has many fans among local party members despite the view of some of those at Cardiff that he is Mrs. Thatcher's worst enemy, got a standing ovation.

But the conference preserved its warmest welcome for the Prime Minister herself. She referred to her last appearance in Cardiff "on the road to victory" and described the weekend council as a "gathering to renew confidence."

In many ways this is the most important function of the meeting. Given the difficulties facing the Government, morale at Cardiff seemed good.

The kind of people who go to the annual council meeting are the last to desert a Conservative Government. Their commitment to the party goes back for years and even if they did lose faith they would probably never do anything but vote Conservative.

It is important to the party to retain their confidence—particularly with the local elections coming up—so that they, in turn, can preach the Conservative gospel in the country.

In Cardiff the party faithful seemed determined to put on a good face. No one was prepared to let on to an outsider that their faith had been shaken by recent events. According to Lord Thorneycroft, the party chairman, the party had "held its tail reasonably well in the air."

In conversation between debates, the delegates repeatedly claimed that even big losses in the forthcoming local elections would not shake their faith in the party.

For the most part they insisted that the Budget had been right, even though some acknowledged that it would not make their job any easier on the doorstep. It had just shown they said, the size of the *Chancellor's problems* as a result of all the drama of the public sector.

Only a few very frank delegates were prepared to admit anxiety. Some, for example, were saying very privately that they thought Mrs. Thatcher would have done well to have given her Cabinet a bigger shake-up.

The over-riding view among delegates was that there is no alternative to the Government's policy, and that they should give Mrs. Thatcher all the support she needs to overcome the dissenting voices both from the Opposition and in the Cabinet.

"These policies have to work, there's no other way," was a constant refrain.

Margaret Thatcher: "This is the road I must follow"

Car industry forecast cut in wake of Budget

By Kenneth Gooding, Motor Industry Correspondent

THE BRITISH motor industry has substantially reduced its forecasts for sales of cars and light commercial vehicles in the wake of the Budget.

Sales of light commercial vehicles those up to 3.5 tons, will be particularly badly affected by the measures, according to the Society of Motor Manufacturers and Traders.

The society now predicts that registrations of light commercial vehicles in 1981 will fall by 14.5 per cent to 165,000 from the 193,000 of 1980. In January, the forecast was for a fall of 6.7 per cent to about 180,000.

Car sales, predicted in January to decline to 1.41m from last year's 1.51m, are now expected to drop to 1.38m—a fall of 8.6 per cent compared with the 6.6 per cent previously forecast.

The revised forecasts are of particular importance this year because of the tighter monitoring of the voluntary agreement over car shipments to the UK between the society and the Japanese Automobile Manufacturers' Association.

The first of a series of meetings between staffs of the UK society and the Japanese association take place in Tokyo this week.

The British delegation, headed by Mr. Anthony Frazer, director of the society, and Mr. Hugh Cowney, its economic adviser, took the revised forecasts with them when they left for Japan at the weekend.

The Japanese ran into considerable difficulties at the end of last year because they did not agree with the society's apparently pessimistic forecasts of car sales, which later proved accurate.

Light commercial vehicles are also covered by the voluntary arrangements, and there has been some concern that in the first three months of this year the Japanese share of that market was up to 17 per cent compared with just over 7 per cent in the same period of 1979 and 9.9 per cent in the first three months of 1980.

Japanese penetration of the car market, at about 12 per cent in the first quarter, has also caused concern.

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UK NEWS

David Marsh looks at the main beneficiaries of EEC cash

Money for regions

THE TELECOMMUNICATIONS industry is the main beneficiary of the new round of EEC cash rolling into the Treasury as part of the deal to reduce Britain's budget contribution to the Community.

The money will also assist a wide range of projects varying from sewage works in Sheffield to better homes in Belfast and a bypass at Pitlochry, Scotland.

Dovetailed to arrive before the financial year closes tomorrow, £276m is being paid over from Brussels to Britain to help finance public sector investment programmes in the regions.

As the table indicates the largest single amount of cash will go on telecommunications projects, with road, rail, water and sewage programmes also benefiting and smaller amounts going to factory construction, housing and land reclamation.

Anxious to dispel any impression of a fairy godmother/prodigal son relationship between the EEC and the Treasury, the Treasury stresses that the grants are not increasing public spending levels beyond those already planned.

The money represents a further instalment of the Euro-cash which has been flowing to Britain since the end of last year under May's deal to reduce the U.K.'s budget payments by just over £700m for 1980 and over £800m for 1981. Britain's 1981 net budget contribution to the EEC is now put at around £500m.

Including the payments now being made, the Treasury has received £645m out of the gross rebate of roughly £810m that Britain is receiving in respect of the EEC's 1980 budget.

Britain's net contribution for the 1980 budget is being reduced by about £100m less than the amount of the gross rebate since the terms of the May settlement also pushed up some UK payments to the Community. The rest of the 1980 rebate will be paid over in the autumn.

Roughly two-thirds of the 1980 rebate is under the Community's "Supplementary measures" mechanism, which channels funds to investment spending in the assisted areas of the UK. In practice eligible regions comprise most of Britain apart from the South East and Midlands.

The remaining one third is being paid out under the "financial settlement," which involves a simple cash refund not committed to any particular spending areas.

The table shows the money which has so far been earmarked by the Community under the supplementary measures programmes. Cash for projects in the North West and Wales was paid out in December and January, while the other regions in the table are receiving money under the present instalment.

All the money which has been earmarked so far is being paid for investment carried out under the Government's 1980/81 public spending plan. Of the £484m committed, the latest instalment brings the amount actually received to £434m. The remaining 10 per cent or so will be paid out later, probably in the autumn, when the public authorities concerned have certified that the work has been carried out.

Britain will receive a similar delayed refund for its 1981 budget contribution, with most of the rebate from Brussels expected to arrive in the first quarter of 1982.

The position further ahead is less clear. Under the May settlement, EEC member countries have promised Britain a reduction for the 1982 budget year similar to those agreed for 1980 and 1981.

This commitment formed part of the Community's aim to come up this year with firm proposals for a permanent restructuring of the Community's unwieldy budget.

Since Britain itself assumes the presidency of the EEC Council during the second half of the year, the Government will be in the driving seat to push this forward, and in particular to try to reduce the proportion of the budget spent on agriculture.

EEC Contribution for Regional Investment (£m) in respect of public spending in 1980-81

		Of which spent on: Telecommunications	Roads
North West	92.9	48.6	15.9
Scotland	86.7	36.5	23.1
Wales	84.4	30.3	24.6
Yorks and Humber	78.6	38.7	5.1
N.Ireland	68.3	19.6	16.9
North	57.9	18.9	9.0
South West	15.3	7.8	—
Totals	484.1	200.4	94.6

Source: Treasury

Study shows direct exchange rate effect

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE price competitiveness of British manufactured goods and the current account of the balance of payments can be directly affected by changes in the exchange rate, Bank of England research shows.

A Bank of England discussion paper by Mr. I. D. Bond examines the relative influence of domestic and foreign factors in determining the price of imported goods. This is central to the debate about exchange rate policy and to the impact of changes in the level of sterling on domestic prices and costs, competitiveness, and the current account.

The theory is that the more an exchange rate change results in offsetting domestic price and cost changes, the less competitiveness and the current account will be influenced by the exchange rate. A high foreign and a low domestic influence is necessary for this to occur.

The paper estimates that about 40 per cent of the change in prices of finished manufactured imports can be explained by domestic price influences. This is taken to indicate that UK influences on the price of imported goods have only a *limited impact on the overall* inflation rate since finished manufactured goods comprise only one third of total imports of goods.

However, the results are taken to imply that price competitiveness—if only the finished manufactured goods component—and the current account can be directly affected by the exchange rate.

This conclusion is likely to be seized on by those, for example in the Labour Party, who favour a policy of lowering the exchange rate.

In another Bank discussion paper Mr. N. P. Williams examines the influences on the profitability of 22 industrial sectors. The paper provides "fresh evidence that the acceleration of cost inflation during the 1970s — together with an adherence to pricing policies which have not paid full regard to current costs—has been a major factor leading to the depressed level of profitability in recent years."

The study shows that pre-tax profitability of UK industries has varied greatly, more so in recent years when some sectors have earned pre-tax real returns of over 10 per cent while others have sustained losses.

Analysis by Jack Straw backs TUC reflation plan

BY PETER RIDDELL

AN EXPANSIONARY package on the lines suggested by the Trades Union Congress could save 600,000 jobs in two years, according to an analysis produced by one of Labour's Shadow Treasury team.

At the weekend, Mr. Jack Straw, Labour MP for Blackburn, announced the results of projections made on the Treasury's forecasting model of the economy. The projections were by the House of Commons Library, helped by the Economist Intelligence Unit.

The simulation (loosely based on TUC proposals for a £6bn reflation) indicated that the level of output measured by real Gross Domestic Product might be about 2½ per cent higher a year from now until 1984 than it would be if present policies were continued.

Unemployment would be 590,000 lower than otherwise by the end of 1982, and nearly 620,000 lower than by 1984.

The measures would increase public-sector borrowing this year, by £3.3bn above the level indicated on present policies. This would be a rise of more than a quarter though the excess would decline steadily over the period.

The annual rate of retail price inflation would also be higher than under the present strategy —nearly 4 per cent higher at 11.7 per cent in 1983, and 2.5 per cent higher at 8.9 per cent in 1984.

The exchange rate would be nearly 10½ per cent lower by 1983 than under present policies.

These simulations assume a £4¾bn rise in public spending, evenly split between current and capital programmes, a cut in national insurance contributions and introduction of selective import controls.

This analysis would be contested by Treasury Ministers who have argued that an expansionary package of this kind would lead to increased borrowing, higher interest rates and a much faster rate of inflation.

Mr. Straw said increases in borrowing and inflation would be "modest and containable." He challenged the Government to publish its own simulations.

Probe of music royalties body sought

BY ANDREW FISHER

THE Performing Right Society, which collects and pays royalties for composers and music publishers, has been asked by a Labour MP to agree to an independent review of its activities.

The request was made in a letter to the PRS by Mr. Leslie Huckfield, MP for Nuneaton and political secretary of the National Union of Labour and Socialist Clubs.

Mr. Huckfield, former Parliamentary Under-Secretary of State at the Department of Industry, has already asked the Government for an inquiry under the Companies Act.

The PRS, which has about 12,000 members, has an annual turnover of £40m involving £9m of overseas royalties. In his letter, Mr. Huckfield said "an almost impenetrable veil of management secrecy" shielded the internal workings of its council and management.

The Government is to include a special PRS Amendment in the current Companies Bill to make the PRS give details of its weighted voting structure and of those who exercise it.

A group of 400 members of the PRS, including 83 music publishers, have 20 votes each, giving them about a third of the organisation's total votes.

"I support this amendment," Mr. Huckfield wrote to the PRS, "though I'm afraid its ultimate resulting disclosure will still fall far short of what I seek."

Mr. Huckfield described the PRS as "a de facto monopoly with an extraordinary amount of secrecy." He said: "A bit more open government and a bit more accountability is called for."

Monetary growth view criticised

By Our Economics Correspondent

THE TREASURY'S explanation of the past year's excess monetary growth is criticised by a group of economists at the City University, London. The group is led by Professor Brian Griffiths.

In a supplement to the annual monetary review produced by the university's Centre for Banking and International Finance, the economists argue that monetary policy has been easy and is potentially inflationary.

They say the recession has not occurred because of a tight monetary policy but in spite of a lax policy.

This view directly counters the Treasury argument that monetary policy has been tight and that the sharp growth in sterling M3, the broadly defined money supply, in 1980 can largely be explained by once-and-for-all factors. Such factors include an adjustment in the level of personal savings in response to a higher rate of inflation.

The university's economists argue that such variations in savings behaviour do not affect the way in which monetary growth feeds into subsequent inflation.

They also maintain that sterling M3 is a suitable target and is a good guide to future rates of inflation.

Helicopter service grows

THE Glasgow-Fort William helicopter service, now in its third year of operation, is to be further modified and expanded.

The Highlands and Islands Development Board has agreed to provide a further annual subsidy totalling £66,000, about 55 per cent of the coming year's running costs, to the operators, Burnthills Aviation.

Strathclyde Region Council is providing helepads at Rothesay and Lochgilphead for use by the service from April this year, and it is hoped to establish a third new landing point by the summer at Oban.

Usage of the present 45-minute flights has increased by 34 per cent to more than 1,000 passenger journeys over the past year, compared with an average decline in traffic for other air routes in Scotland. The new landing points should provide a further boost, bringing the service closer to commercial viability.

Analysis of bank advances and acceptances

to UK residents by banks in the UK at February 18, 1981; as Table 5 in the Bank of England Quarterly Bulletin.

£m		Total to UK residents: Total	of which in sterling	in foreign currencies	FINANCIAL: Total financial	of which in sterling	Hire-purchase finance houses	Property companies	Other financial
London clearing banks	1980 Nov. 19	27,238	26,093	1,245	1,930	1,824	186	866	938
	1981 Feb. 18	28,618	27,434	1,184	2,068	1,895	181	924	963
Scottish clearing banks	1980 Nov. 19	3,785	3,550	235	373	326	123	95	155
	1981 Feb. 18	3,889	3,651	238	357	313	103	93	160
Northern Ireland banks	1980 Nov. 19	860	859	1	33	33	1	28	4
	1981 Feb. 18	870	869	1	36	36	2	29	5
All banks	1980 Nov. 19	63,584	53,055	10,530	10,045	7,529	2,307	2,240	5,498
	1981 Feb. 18	65,542	55,063	10,479	10,458	7,786	2,215	2,370	5,873
of which in sterling	1980 Nov. 19	53,055			7,529		2,232	2,000	3,292
	1981 Feb. 18	55,063			7,786		2,155	2,163	3,468
Changes: in sterling	1980 Aug./Nov.	+597			+161		−17	+55	+122
	1980-81 Nov/Feb	+2,008			+257		−77	+163	+172
in foreign currencies adjusted for exchange rate effects§	1980 Aug./Nov.	−476			−247		−3	−38	−206
	1980-81 Nov/Feb	−410			+73		−17	−39	+130

		MANUFACTURING: Total manufacturing	of which in sterling	Food, drink and tobacco	Chemicals and allied industries	Metal manufacture	Electrical engineering	Other engineering and metal goods	Shipbuilding †	Vehicles	Textiles, leather and clothing	Other manufacturing
London clearing banks	1980 Nov. 19	7,470	7,089	963	659	427	639	1,844	430	353	661	1,493
	1981 Feb. 18	7,819	7,456	1,032	686	475	600	1,909	439	500	637	1,541
Scottish clearing banks	1980 Nov. 19	850	815	220	70	46	39	142	122	17	63	132
	1981 Feb. 18	851	820	185	93	42	39	154	124	20	64	130
Northern Ireland banks‡	1980 Nov. 19	142	141	33				48			24	36
	1981 Feb. 18	140	139	34				45			25	36
All banks	1980 Nov. 19	17,584	14,598	2,995	2,558	1,000	1,507	3,308	641	1,225	1,166	3,183
	1981 Feb. 18	18,010	15,140	3,006	2,756	1,003	1,531	3,408	645	1,315	1,090	3,255
of which in sterling	1980 Nov. 19	14,598		2,341	1,854	869	1,317	2,870	604	1,105	1,034	2,604
	1981 Feb. 18	15,140		2,400	2,073	883	1,310	2,939	619	1,207	993	2,715
Changes: in sterling	1980 Aug./Nov.	−391		−3	−129	−16	−53	−25	−20	−36	−98	−11
	80-81 Nov./Feb.	+542		+59	+219	+14	−7	+69	+15	+102	−41	+111
in foreign currencies adjusted for exchange rate effects§	1980 Aug./Nov.	−37		−72	+8	+9	−14	−13	+1	+15	+11	+20
	80-81 Nov./Feb.	−206		−67	−43	−14	+23	+15	−12	−15	−38	−56
Advances only All banks	1980 Nov. 19	15,970	13,006	2,686	2,348	848	1,385	3,104	640	937	1,054	2,989
	1981 Feb. 18	15,936	13,088	2,561	2,433	791	1,341	3,188	644	1,010	984	2,984

		OTHER PRODUCTION: Total other production	of which in sterling	Agriculture, forestry and fishing	Mining and quarrying	Construction	PERSONS: Total persons	of which in sterling	For house purchase	Other
London clearing banks	1980 Nov. 19	4,021	3,874	2,247	277	1,497	6,139	6,132	1,931	4,208
	1981 Feb. 18	3,971	3,934	2,244	182	1,545	6,502	6,496	2,036	4,466
Scottish clearing banks	1980 Nov. 19	834	779	615	73	145	651	647	201	450
	1981 Feb. 18	857	795	628	77	153	665	662	198	467
Northern Ireland banks	1980 Nov. 19	239	239	181	4	54	183	183	46	137
	1981 Feb. 18	243	243	184	5	54	182	182	47	135
All banks	1980 Nov. 19	7,210	6,258	3,178	1,662	2,369	9,075	9,036	2,750	6,324
	1981 Feb. 18	7,196	6,342	3,207	1,579	2,410	9,531	9,498	2,898	6,634
of which in sterling	1980 Nov. 19	6,258		3,154	828	2,275	9,036		2,746	6,290
	1981 Feb. 18	6,342		3,181	848	2,313	9,498		2,892	6,606
Changes: in sterling	1980 Aug./Nov.	−11		+35	−20	−27	+371		+115	+257
	80-81 Nov./Feb.	+84		+27	+20	+38	+462		+146	+316
in foreign currencies adjusted for exchange rate effects§	1980 Aug./Nov.	+55		+3	+48	+4	+15		+1	+14
	80-81 Nov./Feb.	−124		+1	−125	—	−6		+1	−7

		SERVICES: Total services	of which in sterling	Transport and communications	Public utilities and national government	Local government	Retail distribution	Other distribution	Professional, scientific and miscellaneous
London clearing banks	1980 Nov. 19	7,717	7,174	587	435	65	1,826	1,397	3,407
	1981 Feb. 18	8,258	7,653	663	437	68	1,769	1,528	3,792
Scottish clearing banks	1980 Nov. 19	1,078	983	141	57	93	174	150	464
	1981 Feb. 18	1,158	1,060	140	59	90	183	155	530
Northern Ireland banks‡	1980 Nov. 19	263	262		12	8	106	44	92
	1981 Feb. 18	269	269		20	7	102	44	96
All banks	1980 Nov. 19	19,671	15,634	1,976	1,641	1,585	2,966	4,546	6,956
	1981 Feb. 18	20,347	16,297	2,164	1,479	1,671	2,753	4,718	7,561
of which in sterling	1980 Nov. 19	15,634		1,251	381	1,577	2,932	2,940	6,553
	1981 Feb. 18	16,297		1,309	320	1,659	2,725	3,084	7,200
Changes: in sterling	1980 Aug./Nov.	+467		+41	−7	+80	+203	−74	+223
	80-81 Nov./Feb.	+663		+58	−61	+82	−207	+144	+647
in foreign currencies adjusted for exchange rate effects§	1980 Aug./Nov.	−262		+55	−435	−2	+10	+157	−47
	80-81 Nov./Feb.	−147		+94	−152	+3	−6	−34	−53

† *Including lending under special schemes for domestic shipbuilding.* ‡ *The analysis provided by Northern Ireland banks differs slightly from other banks.* Chemicals and allied industries are included indistinguishably in "Other manufacturing"; Metal manufacture, Electrical engineering, Shipbuilding and Vehicles in "Other engineering and metal goods"; and Transport and Communications in "Public utilities and national government." § The figures exclude as far as possible the effect of changes in exchange rates on the sterling value of advances in foreign currencies.

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	Fashion Fabrics Exhibition (01-385 1200) (until April 1)	Olympia
Current	Numerical Control Equipment Exhibition and Conference (01-379 9411) (until April 1)	Wembley Conf. Centre
Apr. 5-8	Glass and Glass Technology Exhibition—GLASSEX (0378 77966)	NEC, Birmingham
Apr. 7-9	Business Show (0272 312550)	Guildhall, Plymouth
Apr. 8-9	EIA Engineering Exhibition—ENGEX (0403 69390)	Sandown Park, Esher
Apr. 8-9	1981 Fire Protection Association Exhibition (0277 74290)	Connaught Rooms, WC1
Apr. 9-19	Evening News Ideal Homes Exhibition (031 556 5080)	Ingliston Showg'd, Edinburgh
Apr. 11-21	Birmingham Motor Show (0602 51202)	Bingley Hall
Apr. 12-13	British Pet Industry Exhibition (0223 36656)	Exhibition Centre, Harrogate
Apr. 16-20	Ideal Home Exhibition (0202 20327)	Guildhall, Southampton
Apr. 17-25	International Motor Cycle Exhibition (0203 27427)	NEC, Birmingham
Apr. 21-24	International Fire, Security and Safety Exhibition and Conference—IFSSEC (01-385 7661)	Olympia
Apr. 26-29	Incentive Marketing and Sales Promotion Exhibition (01-688 7788)	Metropole Exbn. Hall, Brghtn.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Mar. 30-Apr. 4	International Water Supply Fair (01-540 1101)	Berlin
Apr. 1-12	Spring Fair (01-935 8200)	Jeddah
Apr. 4-8	International Exhibition of Women's Ready-Made Clothing and Boutique (01-439 3964)	Paris
Apr. 6-10	Instruments and Measurements Exhibition (01-874 6034)	Stockholm
Apr. 7-11	International Food Fair, Hotel, Restaurant and Catering Fair and Food Technical Exhibition (01-540 1101)	Copenhagen
Apr. 7-10	World Fabric Fair (01-961 6869)	Geneva
Apr. 8-15	Audio Visual Communication Exhibition—MEDIA VISIE (01-486 1951)	Utrecht
Apr. 9-17	Spring Fair (09833 4371)	Sharjah
Apr. 12-14	MODEXPO 81—International Ladies Fashion Fair (Zurich 013115065)	Zurich
Apr. 21-25	Printing and Allied Industries Fair—GRAFIVAK (01-228 2880)	Amsterdam
Apr. 22-28	International Spring Fair (01-486 1951)	Zagreb
Apr. 25-26	International Collectors Fair—ISAB (01-540 1101)	Berlin
Apr. 29-May 3	International Forestry Fair—EUROFORESTA (01-453 4860)	Verona

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 31	Forum: Merchant Banking Financial Services for *Growing Companies* (Swindon 46924)	Swindon
Mar. 31	Oyez: Performance Bonds and Guarantees: The Perils for Bankers and Insurers (01-242 2481)	Royal Lancaster Hotel, W2
Mar. 31-Apr. 1	RIBA: Office and Information Revolution seminar and exhibition (01-580 6057)	66 Portland Place W1
Apr. 1-2	National Engineering Laboratory: Seminar on CAD/CAM systems in mechanical engineering (03552 20222)	East Kilbride
Apr. 6	Royal Institute of International Affairs: Western Economic Relations with Eastern Europe (01-930 2233)	Chatham House, SW1
Apr. 6-10	MSS Computer and Business Consultancy: O and M in Computer Environment (0903 34755)	Worthing
Apr. 7	Oyez-IBC: Tax and the Family Business (01-242 2481)	Hilton Hotel, W1
Apr. 7-8	BIM: Management Accounting for Non-Financial Managers (01-405 3456)	Parker Street, WC2
Apr. 8-10	IGC: Automated Pagination Systems (Telex 16183)	Amsterdam
Apr. 9	Henley Centre for Forecasting: Company Employment Planning—coming out of recession (01-353 9961)	London Press Centre
Apr. 10-13	IPM: Strategies for Industrial Relations in a Recession (Oxford 735422)	Oxford
Apr. 13-14	*Airfinance Conference: Aircraft Financing Methods* (0376 62262)	Plaza Hotel, New York
Apr. 13-15	University of Leeds: Economies in Transport Through Energy Conservation (0532 35036)	Leeds
Apr. 14	The British Management Data Foundation: Conference on Automation—The World Scene, Trends and Opportunities (01-839 2798)	Bowater Centre, SW1
Apr. 15	The Henley Centre for Forecasting: The Budget and Business—Assessing the Outcome (01-353 9961)	London Press Centre
Apr. 21-22	Frank C. Wilson: Production Planning and Control of Carpet and Rug Operations (Tel. 404 532 4262)	Georgia
Apr. 21-22	MSS Computer and Business Consultancy: Accounting for Non-Accountants (0903 34755)	Worthing

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Philip Bassett examines a highly organised strike machine

A Civil Service approach to industrial action

BUREAUCRACY IS virtually defined by the Civil Servicef—so it is hardly surprising that when civil servants go on strike the campaign of industrial action should be planned and organised in a highly-methodical, bureaucratic manner.

When the present action over pay began four weeks ago Sivil Service union leaders said they hoped it would be a short, sharp dispute.

But tacitly they acknowledged the likelihood of a long, drawn-out campaign by the sort of machinery they set up for running the strikes .

At the centre of the organisation set up by the Council of Civil Service Unions is the Pay Campaign Committee (PCC). It meets in the Council's London offices every morning at 9 am to review the action and consider fresh proposals.

It is composed of deputy general secretaries of the nine unions involved. This explains why, in probably the most serious industrial action ever in the Civil Service, the unions' general secretaries have hardly been seen in the newspapers or on television. They are playing a relatively small role in the running of the strikes.

The general secretaries still meet fortnightly in the Council's major policy committee, but since at present there are no negotiations with the Government for them to take part in, they have, as one union official put it, been left with nothing to do.

Senior elected officials such as union presidents, who normally play a central role in civil service union affairs, have also been left on the sidelines. Some presidents have made clear their dissatisfaction with this arrangement.

Instead the effective power has devolved upon the unions' seconds-in-command.

This has considerable significance for future industrial relations in the service: the two deputy general secretaries who have virtually been the architects of the action. Mr. Campbell Christie of the Society of Civil and Public Servants, and Mr. Alistair Graham of the Civil and Public Services Association, are both expected within the next few years or so to step into the top position in their unions.

Mr. Graham was appointed to his job in 1976 with left-wing support, though since then he has moved away from the CPSA left. Mr. Christie, himself a former CPSA activist, is still a more hard-line and orthodox left-winger who wields considerable organisational power in his own union.

Mr. Christie heads the cash-flow sub-committee of the PCC. This is a key body, responsible for co-ordinating the central thrust of the action, which is designed to disrupt Government revenue collection. This loose committee has had two or three meetings since the action began.

Mr. Graham heads the more formal ports and airports sub-committee. Its meetings have been more frequent because of the tactic adopted by the unions in the Customs area of hitting selected targets for a week or so, and then moving on to others.

The two other sub-groupings are, defence, another key area, and communications. They are headed respectively by Miss Margaret Platt of the Institution of Professional Civil Servants and Mr. John Sheldon of the Civil Service Union.

Below the PCC there is a network of 41 local co-ordinating committees (LCCs), each one staffed by one national level officer and one lay representative. Though the campaign did not begin until March 9, these were planned to be set up by February 16.

The officials were sent out to find office accommodation—in the main secured in local trades council offices, or rooms in offices of other unions such as the TGWU or AUEW—and to set up the committees, which comprise two representatives of each union.

Mr. Campbell Christie

CIVIL SERVICE unions are expected to announce today further selective industrial action, likely to affect the English courts and the movements of Scottish cargo. Action at London's Heathrow airport which disrupted passenger traffic at the weekend will continue today.

The Government warned at the weekend that it was ready to suspend staff who were not working normally. Lord Soames, Lord President of the Council, said the Government was not prepared to accept action which amounted to a breach of contract.

The system will be reviewed this week when the 88 local officials meet in London on Thursday with CCSU leaders.

The local committees have provided the flexibility union leaders saw as a key element of their strategy. The committees have organised local walkouts, such as the action taken last week over threatened suspensions.

The presence of a full-time official in each area has for the first time provided someone who, as in the TGWU and AUEW, can respond immediately to a request for help. Senior union officials acknowledge that many full-time officials sent out to the LCCs were inexperienced in dealing with a campaign of industrial action on this scale.

Linking the PCC and the LCCs is a central communications room in London, operated in two shifts from 8 am to 6 pm in the week by staff drawn from those employed by the unions.

The communications room provides the PCC at its daily meeting with a comprehensive report of the previous day's activities, drawn up from the telephone reports taken from the LCCs in quadruplicate.

The daily report shows that a much wider range of action being taken than is reported. But it also shows that locally there is more doubt about the action than the unions' well-oiled publicity set-up admits to.

The report presented to Friday's PCC, for example, quotes a number of LCCs as having difficulty with the task of co-ordinating action involving nine different unions which have never before worked together, particularly at local level.

A coastal LCC states that "it would be difficult to pull out members in the docks again if they are instructed to work normally next week."

Conscious of the Government's tactic of suspending staff for refusing to work normally, another LCC is told that disruptive action in its area "can only continue up to the point of suspension notices."

The LCCs also put forward suggestions for strike action. One LCC, for example, suggests pulling out six driving examiners in its area another suggests pulling out van drivers.

Such suggestions, as with its own original proposals for action in areas like the VAT computer at Southend and the tax computers at Cumbernauld and Shipley, are examined by the PCC for their feasibility, their cost, and their impact.

For example, the PCC's cash-flow group decided to try to hit the computer at the Paymaster General's Office at Crawley—which acts as the banker for all Government departments. Effective action at the PGO would seriously disrupt the flow of information to the Government about its own spending.

Well before the action was due to begin officials from the unions involved, mainly the CPSA and SCPS, visited Crawley to see whether action was possible. They found a low-level of unionisation, particularly among potential CPSA members—one estimate put it as low as a third—and a reluctance among computer staff who had taken action over pay two years ago.

The officials reported back to the PCC, which looked at the cost of keeping about 35 clerical and executive grade staff out for the duration of the strike. The PCC authorised the action, and officials then went to Crawley again to prepare their members to be called out and to recruit others. Some staff, as at Southend two years ago, were recruited into membership only days before the action started.

Apart from their effect on the readiness of union members to take action again, and on the service's industrial relations, the strikes may have a major effect on the unions' own structures.

The de-centralisation of power to the LCCs has meant that the normal union structures have been circumvented. These include branch secretaries and committees, departmental union sides and even the national executive committees of individual unions to some extent.

The continued existence of the local committees after the strikes are over, which some union leaders foresee, could pose a threat to traditional negotiating structures and foster a further increase in local level union militancy. As one union leader put it, "we may have created our own Frankenstein's monster."

TUC shows vehicle industry hardest hit by redundancies

BY OUR LABOUR STAFF

THE TUC today publishes a gloomy analysis of the industrial impact of job losses, singling out the motor industry as having been particularly hard hit over the past few months. It predicts that redundancies in the vehicle industry are likely to persist.

In a study of Government employment figures and those from its own redundancy databank, which is mainly drawn from redundancies reported in the Financial Times, the TUC states that job losses accelerated rapidly during the latter part of 1980.

Losses were concentrated in manufacturing industry, with the number of redundancies in the service sector slowing down.

The TUC says that the main industries accounting for job losses were vehicles (23.4 per cent of redundancies reported between October and February), engineering (14.7 per cent), metal manufacture (12 per cent) and textiles (11.7 per cent).

The report says that indications of future job losses in motor manufacture come from recent industry estimates that car sales last month were nearly 20 per cent down on the corresponding month last year.

The knock-on effects among suppliers will also rise. The TUC databank suggests that for every three jobs lost in companies manufacturing vehicles, another two are lost in supplier concerns.

The study also notes that the impact of local authority redundancies is beginning to make itself felt in the non-manufacturing sector. It states: "The 6,000 reported local authority redundancies within the non-manufacturing sector indicates that the severe constraints on local authority finance imposed by changes in the Rate Support Grant system are now beginning to be expressed in terms of actual job losses, rather than an increase in the numbers of unfilled vacancies as before."

The industries from which most jobs were lost are regionally concentrated. The areas identified by the TUC as likely to suffer particularly severely are the West Midlands, Wales, Scotland, Yorkshire and Humberside, and the North.

NUJ-NGA merger talks likely

BY JOHN LLOYD, LABOUR CORRESPONDENT

FORMAL TALKS on a merger between the National Graphical Association, the main print craft union, and the National Union of Journalists are likely to take place soon.

The NUJ's executive committee met yesterday ahead of the union's annual conference in Norwich. It agreed to an emergency resolution seeking support for the talks. The resolution will go conference this week.

However, the resolution also contained criticism of the NGA and, as a prelude to merger talks, it demanded the conclusion of a pact between the two unions not to cross each other's picket lines.

If as is likely the resolution is agreed at conference the two unions would aim to have a framework agreement on a merger to put to their conferences next year. On the assumption these conferences assent to this framework the issue would then go to ballots of the two unions.

Talks between the two unions have been proceeding informally for some time. Last week top officials of both unions met in Newcastle. They agreed to move the discussions to a formal level.

Three points are likely to move both towards an agreement. They are:

● **Finance:** Both unions are in financial difficulties, largely because of rising unemployment. The NGA has forecast a deficit of more than £2m by next year. The NUJ has a deficit of more than £100,000, of which half is owed to the Danish journalists' union, which loaned it £50,000 two months ago.

It is felt that the more than 100,000-strong NGA and the 32,000-strong NUJ could pool resources and staff more efficiently if merged.

● **New technology:** The two unions have agreed to respect current demarcation lines on new technology. This means journalists will not input directly into computerised systems. However, the relentless march of the technology, and pressure from employers, is putting a strain on this agreement.

● **Union policy:** The NUJ has a formal policy of encouraging one union for the print industry. The NGA is actively pursuing a merger with SLADE, the platemakers' union, and is open to offers from the two general unions, SOGAT and NATSOPA.

Several senior leaders in the unions believe it is possible that five print unions could achieve a merger in the next two or three years, though problems which have destroyed moves towards such a union remain to be solved.

White-collar engineers seek 35-hour week

BY OUR LABOUR STAFF

WHITE-COLLAR unions in the engineering industry will this week launch a campaign for a reduction in the working week in the industry to try to bring weekly hours down to 35.

The five staff unions in the industry—TASS, ACTSS and MATSA, the white-collar sections of the engineering workers, transport workers' and general and municipal workers' unions respectively—together with the Association of Scientific, Technical and Managerial Staffs, and the Association of Professional, Executive, Clerical and Computer Staff—will co-ordinate plans for action.

Strategy being considered by officials of the five unions includes:

● banning "systematic" overtime

● insisting that the introduction of new technology should be linked to a cut in working time

● unilaterally cutting working time on Friday afternoons by one hour.

The unions will point out this week that high unemployment, and the impact of new technology threatening further job losses among white-collar workers in the industry, makes them believe that immediate progress towards a 35-hour week is essential.

White-collar union leaders in the industry are concerned that the one-hour reduction in working time for manual workers which will come into effect later this year has not been followed by a reduction in hours for staff.

White-collar workers in the gas industry, members of the National and Local Government Officers' Association, will consider at a meeting on Wednesday whether to take industrial action over possible Government moves to prevent British Gas from selling domestic gas appliances.

Steel worker to be rebuked for attack on union

Financial Times Reporter

A SCUNTHORPE steel worker is to be reprimanded by the main steel union, the Iron and Steel Trades Confederation, over articles in the Scunthorpe "Real Steel News" critical of the union's lack of direct action against steel closures under the MacGregor survival plan for British Steel.

In Scunthorpe, where 4,100 jobs disappeared under the MacGregor plan, union leaders at the town's Normanby Park Works, which closed last month with 2,500 job losses, recommended acceptance of the plan.

But members of the Real Steel News Group whose magazine circulates to about 2,000 steel workers in the town, criticised union leaders for their lack of fight, especially Mr. George Teal, the ISTC chairman at the works, and Mr. Jack Sturman, another ISTC branch delegate, who is also a Labour county councillor.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Driving a mutual bargain

Nick Garnett explains how Mobil drew up a productivity deal

MOTORISTS queuing at near-empty petrol pumps during tanker driver disputes are made only too aware of the important role this group plays in supplying much of the life-blood which keeps industry and the rest of society moving.

Such disputes are infrequent in an industry which has good employee relations. Yet a running sore for industrial relations managers has been the failure of oil companies over the past decade to improve efficiency in the way they deliver fuel to filling stations and private and industrial consumers.

One U.S. manager brought over to the UK said two years ago that the productivity in his company's British fuel delivery network was lower than in any other of the company's distribution operations in Northern Europe.

However, the companies and the Transport and General Workers Union, which represents workers in oil distribution, are now getting to grips with that problem.

Shell and BP have just completed substantial productivity deals with the union and Esso and Texaco have been having detailed discussions. Mobil, though, was really the first in the field with a scheme brought in last October. Management and shop stewards say it has resulted in a 15 per cent improvement in performance.

The scheme covers 12 fuel terminals, an aviation fuel terminal at Gatwick airport and the company's lubricating oil plant and distribution centre at Birkenhead, Merseyside. More than 500 workers, half of whom are tanker drivers, are involved.

Three factors were pushing Mobil—the fifth biggest oil company operating in the UK—into a new productivity agreement. Firstly, the company's existing incentive scheme, negotiated in the late 1960s, was virtually defunct, since it was no longer of any benefit to the company or its workforce.

Secondly, the system's standard hours had been frozen for nearly 10 years. Standard hours are made up of the time—agreed between management and the union—which tanker drivers and lubricating plant workers are allowed to do at each stage of their job. It is on the basis of these times that oil companies determine their delivery schedules between terminals and filling stations.

These standard times had not been improved—in other words reduced—for a number of reasons. On the one hand, the old productivity scheme had no provision for being updated.

At the same time, the companies were virtually prevented—in some of the periods of wage restraint during the last decade—from paying out increases of any kind above those set by pay policy. Mobil says this was a major disincentive for companies even to examine productivity problems.

Meanwhile in 1974 the TGWU placed a block at national level on negotiating tanker driver productivity in the oil companies. This was partly in response to the general government clampdown on productivity-related pay increases.

Improved roads

While standard hours remained untouched, though, changes were taking place elsewhere. Roads were being improved, as were trucks and fuel loading equipment. As a result, the task of moving fuel around was becoming easier, at least in some ways, but the amount of time drivers had to do it remained static. In other words, there was an increasing amount of slack in the system.

The final spur was Mobil's desire to make a break with the rest of the oil companies, a tendency it had shown in the past. The companies had a common November wage settlement date for tanker drivers, and tended to get sucked into the same disputes with the TGWU and the same productivity problems.

Mobil's productivity scheme was partly designed to give the company a separate identity with the union. It was carried through at the same time as the company changed its pay settlement date from November to May.

This latter change has resulted in the virtual blackballing of Mobil industrial managers by the rest of the oil industry management for breaking the employers' common front and establishing wage levels which the other companies are then under pressure to meet.

On productivity Mobil had the advantage of knowing what not to do by examining the mistakes of the earlier scheme. They included its virtual imposition on the depots with very little shopfloor consultation. Very few people understood how the scheme worked and there was very limited incentive to work more efficiently because the workforce had to achieve a performance above a defined level (100 per cent) before payments were made.

A joint study group, co-chaired by Joe Aspinall, the company's terminals manager, and Stan Davies, a Transport and General Workers Union district secretary, and including five shop stewards, was set up in 1979.

The study group agreed that the new productivity scheme would be based on higher scheduled work rates and better use of the time that operatives were actually being paid for. This would be done while ensuring safety standards and maintaining existing manning levels.

In a major break from earlier experience, shop stewards, operators and managers at each location were asked to provide details of what their respective locations could contribute to the central "pot." Despite criticism from some shop stewards in the rest of the oil industry union officials representing Mobil workers sought and achieved the removal of the central TGWU block on productivity discussions. The study group was to be the "custodian" of the scheme which would be regularly reviewed.

In the first element of the scheme, standard or agreed times for doing the eight separate groups of tasks which make up a tanker driver's working life were reduced in all the depots. Time savings at the company's sites ranged from 10 to 17 per cent of their old standard hours.

Savings shared

Along with this went an agreement to utilise at least 95 per cent of paid time throughout the distribution operation. This further assisted the company in re-scheduling journeys on a more efficient basis as well as absorbing drivers' time after the completion of scheduled runs by oil loading, vehicle cleaning or other productive work.

These two features together have thrown up an average 15 per cent improvement in performance.

Four cost savings accrued from the scheme. Overtime is now being brought down from an average 11 hours a man to about 8 hours.

Use of outside haulage contractors to move fuel has fallen from 15 per cent by volume to about 2 per cent, although some of this has resulted from changes in demand as a result of the recession.

Payments from the old productivity scheme — ranging up to a few pounds per man per week—have been scrapped and there have been some small savings in utilities, such as electricity.

One group of cost savings — overtime and the old productivity payments — have gone straight back to the men in the form of new productivity payments. The other group of savings — on contractors and utilities — has been shared equally between the company and the workforce.

The scheme provides a bonus payment of £16 a week, which is used for shift and overtime calculations but not pension rights. By agreement between workers and managers individual depots can agree to perform up to 3 per cent above their base performance line. This results in further matrix payments.

The basic pay of drivers was effectively lifted from £105 to £121 a week. Average earnings have been raised for this group from £150 to £160 a week but on average three hours less overtime is worked.

Cost savings were not the only benefits to Mobil, however. The company's dependence on overtime has been reduced and as a result it now has greater delivery flexibility during periods of peak demand.

Removing suspicion

Ray Farnsworth, general manager for Mobil's marketing operation, stresses that the union and the management have negotiated the scheme together and this has greatly improved relations between the company and the union at depot level. Shop stewards involved in the joint study group argue that the scheme has gone a long way toward removing suspicions about management attitudes on pay and efficiency.

By involving the shopfloor more directly in the business, the management hopes that it will lead to greater joint co-operation on such issues as the planning of garage forecourts.

The scheme, of course, is partly designed to claw back productivity eroded over the past decade, although Mobil argues that it had a slimmer operation than most oil companies even before the new scheme was launched.

It also reflects a general attitude that if productivity changes are to be made, the shopfloor, not surprisingly, must make a cash profit out of those changes, rather than see pay packets remain static. Shop stewards and the company also concede that the union has by no means sold to the company all the slack in the system. "We've got a long way to go but we're going down the right track," says Aspinall.

Unless companies have really got their backs to the wall, unions are generally loathe to give up all their non-productive time — even above the "comfort time" that is necessarily built into almost every working system (whether in the office or the shopfloor) for reasons of safety, health and sound labour relations. That unwillingness is a fact of life throughout most of industry.

Ray Farnsworth, general manager of Mobil's marketing operation, with Bill Foster (left), senior shop steward: a new productivity scheme has greatly improved relations between the company and the union

How the time was saved

THE standard times for carrying out the separate tasks which make up a tanker driver's job have been altered at one Mobil depot, for example, in the following way.

Truck preparation (checking engine oil, water, tyres) was reduced from 15 to 13 minutes and personal time (donning overalls, washing hands) from 20 to 17 minutes.

Associated fuel-loading work (receiving instructions, parking truck in loading bay) was lowered from 18 to 15 minutes and the fuel-loading rate was lifted from 1,809 to 2,080 litres per minute.

On driving times, the average driving speed was raised from 26.5 to 30.5 mph and the time for associated fuel-unloading work (parking, signing documents, laying out hoses, opening manhole covers) was lowered from 29 to 25 minutes.

The fuel unloading rate was increased from 677 to 778 litres per minute and "terminal settlement" (settling up all documents, preparing log sheets at end of run) was reduced from 7 to 6 minutes.

In this particular depot standard hours were brought down by more than an eighth.

Who advises the advisers?

MANAGEMENT consultants are like doctors — they are supposed to have diagnostic and curative skills with which they can turn ailing patients into healthy ones.

When doctors get ill, they invariably turn to their colleagues for help. But when management consultants start having internal business problems of their own, where do they go?

The answer for many consultants, it seems, is nowhere. Like many companies that lack the wherewithall, they either muddle along or try to cure their ills themselves.

To many, the idea that they should call in another management consultant would be heresy. After all, they—the supposed authorities on how other people should manage—should be able to practice on themselves what they preach.

But at least two major consultancies are known to have thought otherwise. In 1974 Booz, Allen and Hamilton, the world's second largest management consultants, called in an unidentified outside firm to design a strategic plan for the future.

Its recommendations resulted in a dramatic switch in lessening the emphasis on the company's generalist approach of trying to be all things to all men towards a concentration in speciality fields.

Now, Coopers and Lybrand Associates, which ranks among the top four largest management consultancies in the world, has followed Booz, Allen's precedent. Its Canadian arm, Currie, Coopers and Lybrand, has employed an outside consultancy to help with its own strategic planning. In the UK, Coopers and Lybrand Associates chose to carry out a similar exercise but, because of a potential conflict of interests with the established consultancies, elected to use a number of individual consultants instead.

As a result, the Canadian company has redirected its corporate approach in much the same way as Booz, Allen did, and the UK company has reassured itself that its strategy, which has always emphasised specialist capability, is basically sound.

In CCL's case, the consultant chosen was Hayes, Hill, a relatively small U.S. firm specialising in corporate strategy and organisation, which had to compete with seven other management consultants for the job. It was considered because of its reputation and the fact that it was not a direct competitor of CCL.

In both the Canadian and the UK cases, the consultants concerned examined the market conditions pertaining to each company — and came up with similar findings.

They found, for example, that there was an increasing demand for the larger consultants to provide specialist expertise, similar to that provided by the numerous small firms now in the market. There was also a need for consultants to invest in developing new consulting services and products and in upgrading capabilities; industry specialisation was also important as a means of establishing a consultant's credibility with potential clients.

In the light of these findings, CCL has decided to change its corporate strategy to accommodate a shift away from the generalist approach to management consulting to a greater concentration on a limited number of specialist functional areas.

Up to now, CCL has broken down its operation into three regional areas, each of which has its own industry concentration and functional specialisations.

Overall, the company's exposure has been in six months industries — pulp and paper, food, construction, mining, health care, and the public sector. In all there were 14 functional specialisations, four of which — corporate strategy, management information services, human resources and financial services — represented nearly three quarters of total business volume.

This is being replaced by a much simpler structure to exclude any industry concentration apart from mining. This is because of CCL's historical close links with the industry and the reputation it has amassed in it.

Axe to grind

CCL will now concentrate on two functional specialisations—corporate strategy and management information systems — to be organised on a national basis. It has retained four other functions (human resources, financial servies, operations management and marketing) to be structured on a regional basis.

Explaining the company's decision to use an outside consultancy, Jacques Drouin, a director of CCL, says: "Although corporate strategy is one of our strengths, we felt that as a group of partners we all had an axe to grind, so we needed an outside and independent view and someone who would be more direct than we could possibly have been ourselves.

He described the exercise as a "novel experience for a management consultant to be involved in choosing another firm to carry out an assignment so closely related to the development of his own firm's forward planning and marketing strategy."

Arnold Kransdorff

COMPANY NOTICES

SAVE & PROSPER (JERSEY) COMMODITY FUND LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the fifth Annual General Meeting of the Company will be held at Dolphin House, Colomberie, St. Helier, Jersey, Channel Islands, on Thursday, 11th June, 1981, at 12.30 pm for the following purposes:

1. To receive and consider and if thought fit adopt the reports of the Directors and of the Auditors and the Statements of Account for the year ended 31st January 1981.
2. To re-elect Mr. J. R. Talbot, who was appointed a Director on 30th May, 1980, as a Director of the Company, in accordance with Article 96.
3. To re-elect Mr. W. G. N. Miller as a Director of the Company, in accordance with Article 91.
4. To re-elect Mr. W. N. Rumball as a Director of the Company, in accordance with Article 91.
5. To re-appoint Coopers and Lybrand as Auditors at a fee to be agreed by the Directors.
6. To confirm the payment of Directors' fees of £500 p.a. to each of Advocate A. Clyde-Smith, Messrs. J. D. Campbell, J. R. Talbot and W. N. Rumball.
7. To transact any other business of an Annual General Meeting.

By Order of the Board,
SAVE & PROSPER (JERSEY) LIMITED,
Secretary.

5th March, 1981.

LEGAL NOTICES

C. J. ELVIN
(BUILDING & MAINTENANCE) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co. situated at 3/4 Bentinck Street, London W1A 3BA on Thursday the 9th day of April 1981 at 12 o'clock midday for the purposes provided for in Sections 294 and 295.

Dated the 24th day of March 1981.
C. ELVIN, Director.

PERSONAL

CLUBS

LOMBARD

How to discredit economics—more

BY SAMUEL BRITTAN

MY FIRST reaction when I heard 364 academic economists led by Professors Hahn and Neild of Cambridge had assigned a statement attacking so-called "Government monetarist policies" was that this was the best possible sign that these policies might be right after all. Indeed, the statement itself could count as one of the favourable leading indicators for which the Government has long been searching.

This reaction was strengthened when I read that the statement was signed by 76 present or past professors, a majority of former Chief Economic Advisers to the Government and nine of the vice-presidents of the Royal Economic Society. A policy which has alienated so many of the great and the good is unlikely to be entirely wrong.

The Cambridge manifesto is all too likely to provoke a round robin from rival economists who either accept the Government's strategy or who do not think it is "monetarist" enough. It reminds me of the battle of the signatories over the economic effects of Britain joining the EEC.

Pay awards

All these academic "demos" add to the gaiety of life. But they also put economics into even more discredit than it is already. Disputed problems on the frontiers of knowledge cannot be decided by majority vote. Otherwise Galileo would have had to accept the verdict of his peers that the sun moves round the earth; and cosmonauts would not have ventured forth today for fear of falling off the edge of the universe.

The extraordinary thing is that the Government has made a great many policy mistakes which economists of all schools ought to be able to unite in condemning. These range from the disastrous acceptance of the Clegg pay awards at the beginning, to the misplaced emphasis on the basic rate of income tax, which has aggravated the poverty trap and led to unnecessary knock-on increases in prices in both the 1979 and 1981 budgets. Above all there has been the complete failure to tackle the supply problems of the economy, which range from the labour market and union monopoly power to housing and the tax-induced distortions of investment. Instead the Cambridge manifesto concentrates on the one area—counter inflationary demand management — where the Government stands a sporting chance of proving right.

Economists who support an anti-inflationary financial strategy, but think it needs to be supplemented by fundamental structural reforms, are placed in an impossible dilemma by documents such as the Cambridge one. Either they appear to be supporting discredited inflationary policies or they appear to be endorsing a Government and a policy mix which they find inadequate and distasteful. It must be such considerations that explain the presence on the list of Prof. James Meade—almost the only signatory whose name gave me any pause for thought at all.

Unemployment

In a survey which I carried out as long ago as 1972, entitled Is There an Economic Consensus? I discovered that there was little professional consensus on the headline questions about unemployment and inflation. In these circumstances policy decisions have to be in the deepest sense political, and Ministers are quite right to seek advisers who can articulate and pursue their own basic judgments.

On the other hand there was an astonishingly wide consensus among economists, irrespective of political allegiance—and separating them from politicians and others—on the use of the price mechanism to allocate resources. Agreement here ranged from issues such as pollution and bus fares, to housing, the profit motive and even the economics of Socialism. Of course there was, as always, a dissenting minority—in this case one where Cambridge was prominently represented — but the professional consensus was pretty clear; and I would expect it today to cover the need to raise energy prices to international market levels as well as opposition to protectionist policies in the EEC.

Unfortunately the effect of trying to resolve economic disputes on the frontier of the subject by steamroller votes will be to weaken still further the influence of professional economists, in areas where they have something to contribute, and where their advice is unpopular among most political parties and most interest groups.

An attempt to formulate the law in the language of the layman

THE WEEK IN THE COURTS

BY JUSTINIAN

IT IS axiomatic that nobody should be prosecuted for a criminal offence unless his crime is clearly defined in an Act of Parliament. Yet, although much of our criminal law is to be found on the statute book and is irregularly and unsystematically amended and added to, there are large areas of the criminal law and procedure that are not written down in any statute, but are declared and developed by the courts step by step, case by case.

Puzzlement

An English lawyer appearing recently before the European Court of Justice at Luxembourg was quite exceptionally interrupted by one of the judges who, with puzzlement, asked the advocate to point to the statute which provided for the "common law bind over to come up for judgement" and to explain what that penal sanction encompassed.

The English lawyer had first to say that there was no statutory provision for that disposal of a convicted person, and then to explain that its full meaning presented difficulties, due to its obscure historical development.

The judge listened with his colleagues in disbelief that a member-State of the EEC had not in this day and age reduced its penal law to a code.

The advocate was rescued from some judicial banter, by the Scottish and Irish judges on the court whose own countries alone of the Western world have trodden in an even more extreme form the path of judge-made law.

(Scots lawyers even exult in their criminal law having been developed almost exclusively in the practice of the criminal courts, influenced less by the legislature shared with England and Wales than by the legal systems of continental Europe.) Even the countries of the Commonwealth which have inherited the common law of England each possess a code.

As with so much of our history, a great deal of work done in England in the last century with the object of codifying the criminal law has been avidly seized upon as the basis for modern codes of penal law and criminal procedure. But the English, although preaching sound legislative attitudes to other countries that its Parliament has spawned, has practised antiquated habits.

As a result, vital parts of the English criminal law are complex and obscure, the terminology of criminal responsibility is confusing (worse confounded by a series of recent House of Lords' decisions that are not even internally consistent, because of multiple, sometimes dissenting, judgments) and many of the legal rules, even if tolerably clear, are often out of accord with modern social conditions—a law of blasphemy, protecting only the doctrines of Christianity and without the requirement of any intention to offend or insult adherents of the Anglican faith, is only one of a number of such examples.

Ever since the Law Commission was tardily established in 1965 it has painfully set about remedying this blot on the English legal system as one of its long term objectives.

Four years ago, and not before time, the overworked and capacious conspiracy laws were made statutory. Another aspect of the general principles of criminal liability is currently receiving Parliamentary attention in the Criminal Attempts Bill. (The vagueness of the law relating to attempts was reflected in rival drafts for Parliament from the Law Commission and the Home Office lawyers, which is being resolved in favour of the former's view.)

Legislation on specific crimes recommended in recent years by both the Law Commission and the Criminal Law Revision Committee has produced revision of the law of theft and deception, and on criminal damage. Forgery and counterfeiting are also at present undergoing a Parliamentary spring-cleaning.

Yet there are large tracts of the criminal law that have still to be formulated with precision. With the Law Commission fully stretched on the more urgent work of the reform of specific crimes, a helping hand towards a swift conclusion on codification has come from four academic lawyers. Last week the Law Commission announced the launching of a project to quicken the pace towards codification.

Professor John Smith, QC, of Nottingham University, a leading authority on criminal law, is heading a team of four academic colleagues to consider the aims and objects of a modern criminal code for England and Wales. In formulating a draft code they will pay particular attention to standardising terminology that will be intelligible to the layman and also defined with sufficient precision to avoid problems for the courts.

The statute book as present is, for example, dotted with terms, such as "knowingly," "maliciously," "wilfully," "falsely"—all of which can, and do cause the courts to vary the specific mental element required to prove a crime.

Formidable

The task of codification, if not daunting, is formidable. But the academics, who may not instinctively be all of one mind about a host of thorny issues, are confident that they will not emulate the practitioners, the judges, who frequently (and, for the public, dispairingly) give full expression to their disagreements.

Although there may have been a temptation to find someone to handle the task single-handedly, like Mr. Justice Stephen did a hundred years ago, the Law Commission has opted for a small grouping of like-minded academics.

Two years

While the dons will inevitably discuss their problems in the university common rooms and elsewhere, they do not intend to engage in any wider consultations. That must come later (it is hoped, in two years' time) when the product of their labours will be in precise written form. Time enough for the administrators and legislators to consider a draft code.

Law reform is a late arrival on the 20th century English scene, and even then it has followed the traditional path of piece-meal change. But at last there is a real movement towards remedying Tennyson's jibe at English law, which he described as a "lawless science", based on a "codeless myriad of precedent" and a "wilderness of single instances."

King Vulture strong for Hexham

RACING

BY DOMINIC WIGAN

THERE ARE three flat meetings today at Ayr, Folkestone and Leicester, but judged on the opening flourishes of the new campaign backers might do better to concentrate on the afternoon's National Hunt fixture at Hexham.

There it will again be a case of searching out the heavy ground specialists, for until yesterday the meeting was in doubt over water on the track.

All but two of the runners for the picturesque Northumberland course's Alnwick Handicap 'Chase have previously won here and the most appealing member of the quartet seems to be King Vulture. Trained by Gordon Richards, whose Greystoke team picked up two prestige events at the Festival meeting through Current Gold in the National Hunt 'Chase and through Lord Greystoke in the Cathcart, King Vulture has been remarkably consistent since joining Richards from Eddie Harty's Irish stable.

Third last time out—beaten three lengths and half a length by Twopenny Blue and Rigorous, to both of whom he was trying to give weight in a Sedgefield Chase over today's two-and-a-half-mile trip—King Vulture had previously occupied the same position behind Quay's Luck and Easby Gold on that track.

Although he was tackling soft ground on both occasions I have no doubt that King Vulture, a winner in holding ground at Sligo and again at Leopardstown earlier in his career, needs really holding conditions. He will have those today. I take him to maintain his handler's successful run with a clearcut victory over the much-improved Arthur Stephenson-owned and trained Lucky Rew. This six-year-old, a winner of his last three races, may now be beginning to feel the effects of a particularly busy spell.

HEXHAM
2.30—Caleta Prince
3.00—King Vulture***
3.30—Sir Eamon
5.00—Spring Rocket

AYR
2.30—Roman Quest
3.00—Java Tiger
4.30—Age of Reason

FOLKESTONE
1.45—Angela Edelson
4.15—Light Sentence

LEICESTER
3.15—Stand Easy**
3.45—Ridgefield
4.15—S Cima
4.45—Crime de la Creme*

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.30 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC 2 11.00 am). 4.20 Winsome Witch. 4.25 Jackanory. 4.40 The All-New Popeye Show. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Fred Basset.

5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Deserter" starring Chuck Connors.
11.00 Film 81.
11.30 Education Shop.
11.55-12.00 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales—9.52-10.12 am I ysgolion: daearyddiaeth. 1.45-2.01 pm Pila pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.55 News Headlines, News and Weather for Wales.

Scotland — 11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.30 Cearcall. 12.00 Education Shop. 12.25 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 Artists in Print.
7.20 Cameo.
7.30 Mid-Evening News.
7.40 Roots of England.
8.15 Marti Caine.
9.00 Yes Minister.
9.30 Horizon.
10.20 Say it with Baby Grand.
10.45 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Vet. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "Where Angels Go, Trouble Follows." 4.15 Dr. Snuggles. 4.20 Graham's Ark. 4.45 Ad Lib. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.25 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 West End Tales.
8.30 World in Action.
9.00 The Sweeney.
10.00 News.
10.30 The Royal Film Performance.
11.55 Lou Grant.
12.10 am Close: "Sit Up and Listen" with Lord Rawlinson of Ewell.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "Johnny Come Lately," starring James Cagney. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 11.15 Rockstage. 12.15 am Reflection.

ATV

1.20 pm ATV News. 12.00 The Monday Matinee: "Night and the City," starring Richard Widmark and Gene Tierney. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.15 Rockstage. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "The Dream Makers," starring James Franciscus. 5.15 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Lookaround Monday. 6.15 The Collectors. 6.30 Mr. and Mrs. 10.30 Conference Report (Scottish Liberals). 11.30 The Royal Film Performance. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's on Where and Weather. 2.00 The Monday Matinee: "The Naked Truth." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Channel Report. 6.20 Cartoontime. 6.30 The Amazing Years of Cinema. 10.28 Channel Late News. 11.15 Rockstage. 12.10 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 12.00 Monday Matinee: "One of My Wives is Missing." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.30 Country Focus. 10.30 Conference Report: excerpts from the major debates at this year's Scottish Liberal Party Conference in Galashiels. 11.30 The Royal Film Performance. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: "The Brothers O'Toole." 5.15 Mr. and Mrs. 6.00 Granada Reports. 11.15 RL Action (Bradford Northern v Warrington). 12.00 George Hamilton IV.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "I Love a Mystery," starring Ida Lupino and Terry Thomas. 5.15 Mr. and Mrs. 6.00 Report West. 10.28 HTV News. 11.15 Rock Stage.

HTV Cymru/Wales—As HTV West except: 10.05-10.20 am About Wales. 11.05-11.20 Am Gymru. 12.00-12.10 pm Flaleabam. 2.00-2.30 Hamdden. 4.15 Cartoon. 4.45-5.15 Sor. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 2.00 Monday Matinee: "Squeeze A Flower," starring Walter Chiari. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.40 Crimedesk. 7.00 Now You See It. 10.30 Liberal Party Conference from Galashiels. 11.30 Royal Film Performance. 12.35 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 "The Sky Killer," starring Robert Horton. 3.45 Money-Go-Round. 5.15 Welcome Back Kotter. 6.00 Day by Day, including Southsport. 11.15 Rockstage.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee: "The Colditz Story." 5.15 Mork and Mindy. 6.00 Mr. and Mrs. 6.30 Northern Life. 10.30 North East News. 11.15 Northern Report. 11.45 The Family Prayer.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "The Dream Makers," starring James Franciscus. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.15 Sport. 11.45 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "The Naked Truth," starring Terry-Thomas and Peter Sellers. 3.45 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Westward Diary. 10.31 Westward Late News. 11.15 Rock Stage. 12.10 am Faith For Life. 12.15 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Danger in Paradise." 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.15 RL Action—Bradford Northern v Warrington.

Radio Wavelengths

1	1053kHz/285m, 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m, 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
†Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Ed Stewart's Request Show (S). 4.00 Much More Music with David Symonds (S). 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with The Best of Jazz (S). 9.55 Sports Desk. 10.00 The Monday Movie Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Frederick Delius (S). 9.30 The Dutch Connection (S). 10.35 20th-century Piano Music (S). 11.15 City of Birmingham Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Itzhak Perlman Plays Bach (S). 3.40 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Emil Gilels piano recital, part 1: Mozart (S). 7.45 Interval Reading. 7.50 Recital, part 2: Chopin. 8.30 The Price of Victory. 9.40 Shostakovich's Tenth Symphony. 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Debussy (S).

VHF Only—Open University: 6.25-6.55 am and 11.15 pm-11.55 and for students in Radio Scotland and Radio Cymru areas only: 1.55 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Miles Kington looks through the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The Great Exaggerator (portrait of John Donne). 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Cliche (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 A Murder of Quality. 7.00 News. 7.05 The Archers. 7.20 Just a Minute (S). 7.50 The Monday Play (S). 9.20 Seeds of Occasion. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.00 London News Desk. 12.40 The Tony Fish Vinyl Music Show. 3.00 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Inside London. 7.03 Black Londoners. 8.00 As Radio 2. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Douglas Moffitt and Alan Clark. 10.00 Brian Hayes. 12.00 LBC Reports. 3.00 pm LBC Reports. 7.00 London Lite. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Reports. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

6.00 am John Sach's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Nicky Horne. 1.00 First Report. 1.10 Nicky Horne (continued). 3.00 Roger Scott. 7.00 London Tonight. 8.00 Teach Yourself Tones. 8.30 Alan Freeman (rock music). 11.00 Tony Myatt's Late Show. 2.00 am Duncan Johnson's Night Flight.

F.T. CROSSWORD PUZZLE No. 4,532

ACROSS

1 Die to go away (6)
4 Successful student to mark with degrees (8)
10 Stop working away from home and eliminate (5, 3)
11 Disciple of Zeno in congress to Iceland (5)
12 Weaver is to appear indistinctly (4)
13 Judging justly, like a conscientious exhibitor at a trade show (4-6)
15 Little competition left in service (7)
16 I'd turn after time to speak at length (6)
19 Cut back fruit and died (6)
21 Birds going to French island and building a hanging nest (7)
22 Make poor little devil take over his mixture (10)
25 Small body of soldiers to arrange in an orderly way (4)
27 Alloy in American state. Right? (5)
28 Without fear, notice the French in dress (9)
29 Impetuous people with very violent leaders (6)
30 Be peevish with soldiers left holding a bird (6)

DOWN

1 Disarrange and remove from office . . . (8)
2 . . . for each last actor (9)
3 A dissolute person to search minutely (4)
5 Stopped working and went to bed (7)
6 Chastise in a field of study (10)
7 Elude article containing nothing (5)
8 Cut off detectives in river (6)
9 Work at sea and land (6)
14 Empty line of a metre, or five feet without rhyme (5, 5)
17 Consisting of three lines in trailer broken up (9)
18 Going back in defeat (8)
20 Laughed at being free in action (7)
21 Drawing dough with learner (6)
22 Complete at home in angle (6)
24 Turn four in vessel (5)
26 Move gradually to the border (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. Last Week. LONDON FESTIVAL BALLET. Evgs 7.30. Sat. 4.00 & 8.00. GISELLE. No perf Ton't.

COLISEUM. S 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. April 7, 9, 10 at 7.30: Bartok Triple Bill. April 11 at 7.00: Julius Caesar. 104 balcony seats avail on day.

[illegible]

THEATRES

CINEMAS

ART GALLERIES

FINANCIAL TIMES

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هكذا من الأصل

Covent Garden

Macbeth

by MAX LOPPERT

The third new production of the current Royal Opera season is of Verdi's *Macbeth*. It is conducted by Riccardo Muti, produced by Elijah Moshinsky and headed by Renato Bruson and Renata Scotto (not seen on this stage since she took the lead in that delicate and touching *Sonnambula* revival, exactly ten years ago). A big-name event, in other words, played, sung and acted to the hilt, delivered with a flourish and greeted by Friday's audience with outbursts of noisy enthusiasm. It goes with a bang and, for that, gratitude—it's not difficult to recall early-Verdi productions, even of *Macbeth*, which faltered or limped. But in its tone of high theatricality, both musical and dramatic, I discerned the oddest mixture of fresh insight and cheap, stagey ploys, of flashes of piercing imagination cheek by jowl with shafts of vulgar contrivance, of Verdian sensitivity and un-Verdian perversity. Excitements are achieved, at a cost.

It's a show of consciously stylised character, a show of brilliant and distinct images boldly paraded. Moshinsky and his designer John Napier have exchanged their previously-favoured box-set methods, which gave a successful new look to the Royal Opera *Peter Grimes* and *Lohengrin*, for an "open" permanent set founded upon a pyramidical flight of steps, a slatey, roughly-seamed structure, black and louring. Upon it, to provide the court scenes, falls a vast triangle into which is built a mighty doorway. (The doors, which gleam in the middle acts and grow dull in the last, are decoratively figured, almost in the manner of the Ghiberti baptistery doors in Florence.)

Colour is "thematically" used—crimsoned reds and purpled blues for the blood and power lust of the Macbeths, gold glittering obscenely for their apparent triumph, a sense of parched early-dawn grey in which to wrap their downfall. The lighting technician, Nick Chelton, deserves billing alongside the most important functionaries of the staging: for his contribution—a lighting plot of continually varying intensities, of spotlights constantly adducing new shades of significance in every event—is its pivot. The style is neo-Mannerist; it promotes a waking nightmare (at times of public gathering, as massed groups peer in motionless tiers from the ramps, it might almost be an Eisenstein film we are watching). The leading couple skulk in corners, alone and isolated; at the end of the sleepwalking scene, Lady Macbeth drags herself exhausted up those giant steps and through the doors for the last time—a potent crystallisation of several dramatic strands.

At such moments, where the schemes underscore Verdi's—the 1847 first version was his most considered attempt yet at a *Gesamtkunstwerk*, linked by key relationships and tone-colour identifications—the effect is powerful. But it is not sustained: overall, the impression is fidgety, fussy, self-conscious. One soon longed for relief from the tricks of lighting, for contrasts of stillness and repose that never came. The scene before Banquo's death, a scene of nocturnal pensiveness that should afford just such, is played indoors. In fact, there is no real outdoors in this production: everything is delivered in the same up-front, airless way. There is also no banquet, and no ghost: for them Moshinsky has devised deeply unconvincing alternatives. His witchcraft, decked out in "disco" lighting, is risible; his dumb show (with Macbeth at one point forced to lie prone on the prompt box) a mess. The actors are sometimes placed precisely, sometimes clumsily placed—upon the exiles' chorus Macduff's shows of graphic self-pity are a ridiculous intrusion.

What, in the end, I was made most aware of was the unevenness of the opera — not just a matter of the stylistic discrepancy between the 1847 opera and the additions for its 1865 Paris revision, but even between the best and the less inspired numbers of the original. This was an unwelcome awareness, and, I am sure, an improper one. It was no less a product of the conducting style. When did we last hear at Covent Garden orchestral playing of such superlative fine finish, such point and pith, such balance? Muti's charge over the (much-enlarged) chorus had a comparably galvanic impact; in such things as the witches' *coro e ballabile* of Act 3, his control of rhythm and dynamics brought miracles of refinement. But what hard-driving coarseness elsewhere, what a flashy, externalised, virtuoso-conductor's racket! In number after number, above all in the Act 1 finale with its crude spurts of acceleration, I felt a slam-banging of the music to its limits. Perhaps, in future, pre-*Rigoletto* Verdi should be left to producers of longer experience and greater humility; certainly, Muti's brilliant but essentially incoherent approach made one long for a more senior, a wiser and more temperate baton in the pit.

Scotto, by nature a captivating lyric soprano, a Gilda, an Amina, has by sheer determination and ambition fitted herself for the big dramatic soprano roles, for Norma and now Lady Macbeth (this was in fact her first). On Friday, the consequences of ambition were recognisable not so much in the wild, curdled sounds at either end of her scale — for these might still be turned to the advantage of the part — as in the apparent inability to sing a single phrase in a sustained legato, without notes sticking violently out or else trailing suddenly off into inaudibility. This Lady Macbeth, both vocally and dramatically, is conceived and achieved in a series of effects carefully and intelligently applied, and communicated with forceful artistry. As such, it is impressive but not really grand or gripping, resourceful without ever gaining full purchase on the drama.

Bruson, on the other hand, showed himself a born Macbeth — in lean, haunted visage, in the restrained intensity of his stage movement, above all in the long-lined eloquence of his singing. He excels at unobtrusively finding the sense of those markings — *sotto voce, cupo, soffocato, con dolore* — out of which Verdi made an entirely new kind of baritone villain-hero; and his aria, towards the end of an evening filled with sound and fury signifying rather too little, was the only truly Verdian moment in it. Robert Lloyd's Banquo seemed less solidly voiced than at the last revival of the old production, in 1976; Neil Shicoff, a personable, sincere Macduff, over-emoted in his aria.

Coliseum

Three Giselles

John Field has made a commendable virtue out of necessity. Obliged to restrict London Festival Ballet's repertory to tried and true classics for a period, he has taken the opportunity in the current season to show us an exceptional number of cast changes in principal roles: six different interpreters in *Romeo and Juliet*, seven in *Coppelia*, seven in *Giselle*. I find this admirable in artistic principle, and — in the sense that ballet goers "collect" artists as Giselle or Swanilda or Juliet — astute in practice. (The Royal Ballet, which has made some protestation about giving young dancers a chance, offers nothing so promising in matters of casting, rather the reverse.)

I saw three *Giselles* at the week's end, each well-prepared, valid, interesting. Particular pleasure in Evelyne Desutter's London debut came on Friday night. With her fragile blonde beauty, and her splendidly clear French schooling, Desutter is *one of Nature's Giselles*. She treats the opening scenes very lightly: the character is gentle, child-like; the dances are stated with an innocent pleasure, sketched with delicious finesse that gives them full dynamic value without excessive emphasis.

It is dancing of great refinement, and how sweetly and with what a pretty curve, her feet are used in point-work. The mad-scene, starting from a loss of memory brought on by shock, is pathetic, intense without seeming over-wrought. In both acts the distinction of Desutter's means was a reminder of her illustrious teachers, Yvette Chauviré and Nina Vyroubova: ballerinas beget ballerinas, unpopular though this belief is in Britain.

Evelyne Desutter's Wili Giselle is mist coalesced into a protective arabesque. Exquisite mezzo-forte dancing: arms more Soviet than Romantic as they drift over Albrecht's head, but used with entire consistency of style; wonderful resource in coping with the delicate bravura of the role: these were the components of a reading convincing and beautiful.

Nicholas Johnson was her partner. His Albrecht is a portrait of a young man living on his nerves, with quick responses, noble manners, dancing of bright energies and technical polish for the night-terrors of the second act.

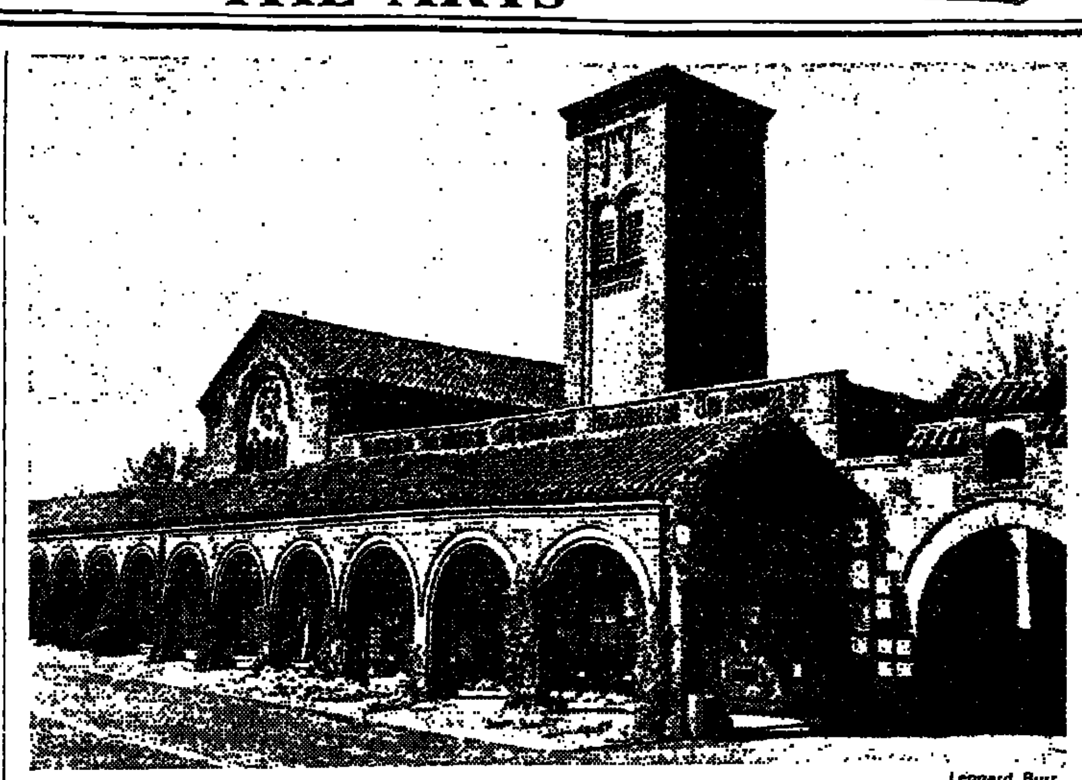
On the previous evening, Elisabetta Terabust and Patrice Bart led the performance. Terabust is a doe-eyed and gentle Giselle, sweetness itself in the way she greets her world as the ballet begins, then utterly broken, and releasing sudden bursts of desperate energy for the mad scene. Bart is a serious Albrecht—the character given a dignity that wins our sympathy, the dancing set out with no less assurance of means: French schooling revealing yet again its distinction of style.

The agonies and aspirations of the second act were the proper combination of moonlight and menace — both artists convince us of the dramatic momentum of the scene through their dancing and their emotional involvement.

The third cast, on Saturday afternoon, brought Lucia Truglia in partnership with Nicholas Johnson. Truglia gives the peasant Giselle an Italianate vivacity in the early moments of the first act; with madness this spontaneity turns in vivid terms to horror—it is a tribute to Festival Ballet that each of these Giselles should make so potent an impression in the mad-scene. Truglia, who bears a more than passing resemblance to Alicia Alonso, maintained a strong rapport with her Albrecht in the second act: she told us, clearly and convincingly, that the drama of the forest is as urgent to Giselle as the deception she knew in the first act.

The production, by Mary Skeaping, is excellent: logical, sensitive in Romantic feeling. It is also admirable in David Walker's designs, and in Charles Bristow's lighting. The second act, especially, has no rival outside Leningrad in its evocation of the mystery and the "wild and gloomy forest" that Gautier imagined for his ballet. Company interpretations were sound; musically each performance was pleasing in Act 2, but I deplore the brisk tempi that make the village scene seem part of some Rhenish marathon.

CLEMENT CRISP



Leonard Burt

Golders Green Crematorium

Architecture

Flying into the future

by COLIN AMERY

Norman Foster looks pretty tough, and he doesn't smile a great deal. He should be smiling now because he is suddenly the most famous architect in Britain. Last Tuesday he was the subject of a BBC Television *Omnibus* programme, a profile of Foster and his buildings that was a brilliant evocation of modern architecture.

The programme was written and produced by John Read and very elegantly photographed by John Else. It demonstrated succinctly the power of the camera to respond to the seductive crispness of Foster's architecture. I felt as though I was watching the most marvellous commercial for a golden future.

The film began with The Architect, Our Hero, swooping through the air in his glider while the synthesised music carried us into realms of fantasy. In a moment The Architect was leaning against an Adam fireplace telling us how he had escaped from Manchester via the pages of Le Corbusier's *Towards A New Architecture*—the book that in the 1920's was comparing a racing car with the Parthenon. We glimpsed his office (which he referred to as HQ), a swish world where lovely girls in tight red jeans and boots led us to conferences of key figures in the design department.

The team at Foster Associates were talking about Raffles Hotel in Singapore and their new tower for the Hong Kong and Shanghai Bank. The atmosphere at HQ was wonderful; confident and positive—this is an architect who gets things done. He told us how he had built an inflatable in 55 minutes and a superb building for IBM in 39 weeks, where workers and managers already live in the future and enjoy uniformity of standards. Foster was right to be angry about the squalid standards that are so willingly tolerated by British business for their workers. He listed the firms whose design standards he admires: IBM, Volkswagen, Audi, NSU: Where were the British firms?

The cameras dwelt lovingly on the glass walls of the Ipswich headquarters of Willis, Faber, Dumas, and The Architect sailed up the escalator with his silver suitcase, serenely demonstrating that office life can be beautiful. Norman Foster pontificated against concrete, "aggressive and a poor performer" and showed how his glass and steel buildings maximise the small amount of sun that seeps into our damp lives. He described his buildings as "lean and keen" and like a salesman for soap he waved lightweight panels at us saying enthusiastically "no drudgery, no drudgery." He attacked us poor critics for being remote and took off in his helicopter to fly over the Thames where he rightly attacked the job lot approach to planning and design.

The film gave architecture a significant and helpful boost at a time when there has been a record drop in the number of commissions for the architect in private practice. As is the way with television it over-simplified the state of the architectural art by making Norman Foster appear as a high flying hero able to speak with a little too much transparent glibness. But he was bright and bracing and confident and his buildings showed just the same qualities. I hope to write about his IBM buildings at Greenford in the near future.

The Secretary of State for the Environment is determined to be remembered for saving the heritage of fine architecture that remains in this country. He recently announced that the grant for the Historic Buildings Council will go up from £9m to £12m in the next year and that the National Heritage Fund will receive £1½m.

He also announced that the great survey of listed buildings in Englad and Wales which was planned to take up to 15 years will be completed much more quickly. He is prepared to allow private enterprise to help using consultants to set up and monitor surveys. County Councils will do more and there will be a "modest" increase in DOE staff. All this is encouraging and a mark of good government in that it utilises fairly small sums of money to achieve big results.

More controversial are the recommendations to list buildings that have been built between the two world wars. Mr. Heseltine believes that it is better to keep the buildings so that future generations can make their own decisions about them. The latest list includes the 1937 Philharmonic Hall in Liverpool designed by Herbert Rowse with strange Modernistic decorative details; Golders Green Crematorium which was laid out in 1905 by Ernest George with a fine 1938 chapel by architects Mitchell and Bridgewater; and Hammersmith Town Hall by E. Berry Webber, 1938, which to my mind ruined a once picturesque part of riverside Hammersmith.

These are only some of the latest list of 74 inter-war buildings throughout the country and there are more to come. Clearly the listing of these 1930s buildings represents something of a triumph for The Thirties Society—a group that campaigns for all inter-war buildings. The Society needs more members and offers talks and walks in and among the modern curves of the 1930s.

More information about their work is available from Clive Aslet, Secretary, Thirties Society, c/o Country Life, Kings Reach Tower, Stamford Street, London, SE1.

Dominion

Adam and the Ants

by KEITH SHADWICK

Saturday night at the Dominion, Tottenham Court Road, was conclusive evidence, if any was still needed after three top five singles in a row, that Adam and the Ants have indeed "arrived" in British pop, and intend to stay around.

In the first of two sell-out nights, the age-range of the audience itself was an eloquent testimony to the surprising breadth of Adam's appeal. Surprising because this band's history has been one of identification with the remnants of the now-exhausted punk upsurge of 1976-77 — even to the extent of at one time having ex-Sex Pistols manager Malcolm Maclaren as manager/adviser.

Well, whatever his advice was, it's turned up trumps. When the curtain rose on the first number, the whistles and cheers were almost deafening and by the time the band launched into the second, their first big hit "Dog Eat Dog," the feverish mood was established.

The one brief respite from the at times tribal barrage laid down by the two drummers and the guitars was the gently tongue-in-cheek "Young Parisians." But it's a tribute to both the material and the performers, especially the charismatic Adam himself, that attention never flagged. In fact, it was great fun all evening.

Indeed the music, combined with the outrageous dress of the band (a combination of Red Indian and pirate memorabilia), shows strong "links" with early seventies glitter-rock, exemplified in by such past heroes as Mark Bolan and Gary Glitter himself.

Certainly the overall mood of the concert, both on stage and off, was one of gaiety and excitement: "I see you're all dressed up, then," shouted Adam at one point, to which the crowd screamed "Yes ! ! !" This enthusiasm was brought to a suitable peak through the rendition of the band's remaining hit singles followed by three hard-hitting encores which left the crowd shouting for more.

ST. JOHN'S, SMITH SQUARE

Singcircle

by DOMINIC GILL

Something must be done about St. John's. Thomas Archer's handsome church, gutted by bombs during the war, then deconsecrated and lovingly restored, is potentially one of London's most attractive middle-sized concert halls: spacious, visually appealing, quietly and centrally situated, easy of access, with good catering facilities in its underground crypt. But acoustically St. John's is a disaster: hugely resonant (and unevenly so, the expensive seats in this respect worse than the cheapest), capable of obscuring and blurring any sort of music that was not written with a church acoustic in mind—most especially music that calls for large instrumental forces, or percussive instruments, or for amplification in any form.

Singcircle could hardly have hit on a less suitable work to perform there, at the third and last concert of their "Sounds Alive" series on Friday night, than Berio's *A-Ronne*—an elaborate piece for eight amplified voices that also calls for extra electronic reverberation to be added at frequent points in the score. It is a sound-canvas of the greatest delicacy, a palette of crystalline textures constantly shifting, of quick, deft counterpoints and contrasting attacks. I can only report (chiefly by guesswork and visual observation) on what *seemed* to be a moderately successful, not especially vivacious performance. But that is a tentative judgment: for the sound of the work itself was seized by the hall's acoustic, flung high up to the ceiling, and thrown back in pitiful disarray.

The rest of the evening was less strenuously affected, though none of it emerged ideally clear. Luigi Nono's *Sara dolce tacere* for eight (unamplified) solo voices made a gentle, secure impression: economical, restrained in lyrical gesture, but with much subtle variety (and energy) in its very simple frame. *To the holy goddess Sulis* by Singcircle's director Gregory Rose was an attractive (pre-eminently Berio-inspired) divertissement for two voices and tape: a faint, flickering mirror-image of the master. More pungent, original and imaginative was *Other Fictions: Go* by Alejandro Vinao—an exuberant tape-piece made entirely from *concrète* ("live") sound-sources, chiefly vocal, only minimally treated in the studio (mainly with echo and judicious splicing). Refreshing evidence here once more of a musical spirit at work that is not used by, but uses, technology to its own ends: for once the equation is the right way round.

YMSO

by DAVID MURRAY

The Young Musicians' Symphony Orchestra consists of rising college players who like to get their teeth into big works and unfamiliar ones. On Saturday they outdid themselves by choosing Elliott Carter's almost forgotten First Symphony and Mahler's ubiquitous Fifth, overflowing the acoustic space of St. John's quite recklessly. There are a great many notes in Mahler's Rondo-Finale, and here they became a wild, unfathomable torrent. So far as I could tell the movement didn't actually fall apart—which speaks well for guest conductor Spiros Argiris—but the overwhelming effect was only partly musical.

In gentler passages, most obviously the Adagietto, the playing was impressively idiomatic, more Mahlerian than I think young performers could have managed a decade ago. Argiris's sympathies failed only in the Scherzo, which was too briskly driven for the good of its wistful subtleties. The demanding solo wind parts were taken with style, and only a little less security. It made a challenging experience all round; the project of doing large-scale Mahler in St. John's must, however, be judged quixotic.

Carter's First Symphony, composed in 1942 and revised in 1954, runs similar risks of acoustic clotting, despite its modest classical orchestra. Though it is not designed to assault its audience's feelings by main force, Carter's counterpoint proliferates exuberantly; again it was hard to tell in blotted passages whether the fault lay with the ensemble or the hall. Not much damage was done to a fair and lively impression of the work. Of Carter's more familiar music it resembles most the Piano Sonata of 1946, but it revels more academically in its professional super-competence. A listener at its première might have recognised a sizeable musical talent without being able to guess where it was going. With hindsight plenty of characteristic ideas can be detected, awaiting more astringent and definitive treatment. Argiris dealt as confidently with Carter's Symphony as with Mahler's, preferring always to maintain dramatic impetus rather than allow a prudent slackening; the YMSO seemed happy enough with that strategy.

Charity jazz concert at Queen Elizabeth Hall

A charity jazz gala is to be held at the Queen Elizabeth Hall tomorrow night, Tuesday, starting 7.30 pm, in aid of Prince Philip's Human Value Conference Appeal.

Taking part will be the National Youth Jazz Orchestra and the Jazz College Quinetet featuring trumpeter Digby Fairweather and tenor-saxist Danny Moss, as well as guest musicians Kathy Stobart (saxes), Michael Garrick (piano) and Guy Barker (trumpet), who is a former NYJO member.

The Human Value Conference on Service to the Community will be taking place at the Elizabeth Hall tomorrow and on April 1 and the concert is an opportunity for jazz to help the disadvantaged in society.

The presenters Artsworld, a non-profit making educational service, are giving their services free to the Conference Appeal Fund.

Tickets from the South Bank Box Office (928 3191) or from Hilary Davies, 44 Baker Street, London W1 (486 5101).

RSC to stage 'La Ronde' early in 1982

The Royal Shakespeare Company is to stage Arthur Schnitzler's play *La Ronde* early next year. The production, by John Barton, will open at the Aldwych Theatre in early January.

Filmed as *La Ronde* and now generally known by that title, the play was originally written by Schnitzler in 1896 as *Reigen*.

In the RSC production of this rarely performed piece, major roles will be taken by Judy Buxton, Susan Fleetwood, Barbara Leigh-Hunt, Richard Pasco, Michael Pennington and Carol Royle.

SOCCER by TREVOR BAILEY

Defence hiccups trouble Ipswich

IPSWICH, unquestionably the side of the season, experienced more trouble disposing of their visitors from Sunderland than a 4—1 score line suggests.

Their defence, in addition to conceding an unnecessary first goal, hiccupped alarmingly on several occasions. Wark, whose equaliser saved Scotland earlier in the week and who has scored more than 30 goals for his club, squandered a Muhren delicacy in the early stages which a schoolboy would have been annoyed at missing. Up front, Gates failed to bubble. Brazil seldom suggested that he was more than a thrustful hustler.

Fortunately, their two Dutch halves were on hand to provide the ball control and imagination needed to win the match; and Mariner did what he was unable to do for England — netted twice in the space of two minutes.

Their victory keeps the Suffolk club out front in the championship race and still on course for the improbable treble —a feat which has eluded the efforts of our most accomplished sides of the past decade—Leeds, Liverpool and Nottingham Forest. Can Ipswich succeed where so many talented teams have failed?

I would love to be wrong because, over many years, I have developed affection and respect for the football Ipswich provide and for the civilised way they have managed their business affairs. However, logic suggests that they will fail in one of the semi-finals through a combination of strain and probable injuries. These two dangers showed against Sunderland who are no better than a competent bottom half of the table team in an above-average First Division. The return of the Ipswich captain, Mick Mills, could possibly make the difference. He will not only tighten their defence, but also inspire his colleagues.

Although the standard of play in the First Division is exceptionally high and our clubs have a splendid record in Europe, England's team was defeated after an unconvincing display against Spain at Wembley last Wednesday.

On this showing England are unlikely to make a serious impression in the World Cup. Predictably, cries have already gone out to replace the manager, Ron Greenwood. These must be ignored. At this stage such a move would be disastrous.

Many of the media blamed England's failure on a lack of international class players. Yet Francis, Mariner, Keegan, Brooking, Robson, and Hoddle together must surely form one of the most individually talented, skilful and thinking group of forwards and halves we have ever fielded.

The real snag lay in the inability of these players to exploit successfully the particular 4-3-3 system selected by Ron Greenwood, largely because it varied from the formations, all slightly different, currently employed by their respective clubs and which they understand so well.

As a result, the three front runners formed a too narrow spearhead which failed to stretch the opposing four-man rearguard sufficiently. They tended to bunch both in attack and when coming back after being repulsed. This made it difficult for the halves and backs to provide that defence splitting opening.

Like England, Ipswich do not use a genuine winger, but are able to achieve width because Muhren and Thijssen play so wide, and their three lead forwards are always racing out to the flanks.

Although Osman and Butcher were not too impressive against Spain, they remain outstanding prospects who have not yet reached their peak. They look internationals of the future rather than of the immediate present.

Cambridge hospital

DR. GERARD VAUGHAN, the Minister of Health, will start stripping the site of a new 104-bed maternity hospital in Cambridge today with a 20-ton bulldozer. The project will cost £6m, half of which has been given by millionaire Mr. David Robinson. It will be named the Rosie Maternity Hospital after his mother.

RUGBY by PETER ROBBINS

Key to dominance lies in back row

IT USED to be axiomatic that rugby games were always won up front, and more particularly in the front row. Of course any team must still dominate the opposition pack to have a good chance of winning, but with the game being played at such high speeds, the emphasis has shifted from the front to the back row.

It is no coincidence that the country with the best balanced back row—France—won the championship this season. Of all the teams in the tournament, France was the only one to improve as the season progressed.

A key to that success was the return to form of Rives, who played magnificently throughout the season alongside Joinel and Lacans. They reminded me very much in balance of that great Welsh back row of the 70s — John Taylor, Mervyn Davies and Dai Morris. Such a balance of style is essential in the back row and it was also significant that although Scotland still lacked a truly international class front row, the back row of Leslie, Beattie and Calder was perhaps the most potent force of the side. It also gave the talented Scottish backs opportunities to run.

There is a general feeling in Scotland that the national side has made progress this season despite the weakness of the scrum, where they were quite unable to put the opposition under real pressure. Cuthbertson in the second row added mobility and strength and there was a marked improvement in the forward discipline, as was to be expected under the new coach Jim Telfer. There was certainly much more confidence about the Scottish side. Whereas before the team counter-attacked of sheer necessity, this season it also had the confidence to capitalise on error. Scotland's short tour of New Zealand will be hard but useful and Rutherford whose maturing game and control at fly-half was so crucial to Scotland this year will play a key role.

Nobody in Ireland thought their team was as good as every one else seemed to think, and it may be that Ireland's win last season over Wales produced false optimism. In the event, of course, they were whitewashed in Tom Kiernan's first year as coach but for all the disappointment in Ireland, there is certainly no despondency. It is worth recalling that last year France only scored two points in the championship and yet this year carried off the Grand Slam.

Unfortunately, the Irish pack was further over the hill than had been realised and there were changes throughout the season. It was at half back that Ireland had their problems.

Wales also had their selectorial disagreements and it was finally proved that Squire should have first option as number eight over all the season for Wales. They lacked true class players in key positions. Oddly enough though, they came nearer to being joint top than had seemed likely after the Scottish game, which produced such savage action. Some of the pruning was patently unwise, for in Garreth Davies Wales had a great player. Fenwick and JPR Williams also went because they were quite simply not the players we had once known. JPR, because of his predictability and loss of pace. Fenwick, because the mixture of players around him never really suited him.

England had to live without Uttley, Neary, Cotton and in practical terms Blakeway. The introduction of Jeavons will bear fruit.

But the back line functioned infinitely better when Huw Davies came in for the Scottish match. By one of those curious twists of fate, now that England has a highly skilled three-quarter unit there is no longer the firm guarantee of quality possession that last year's Grand Slam side provided.

Midlands link

A NEW twice-daily service to link the East Midlands airport with Heathrow starts today providing approved access to international services.

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The U.S. and Africa

LAST WEEK'S aid conference in Zimbabwe is one of the most encouraging events to have taken place in Africa since the former rebel colony became peacefully independent under British auspices just under a year ago. More than 200 delegates representing 44 countries, 11 international agencies and 16 United Nations bodies gathered in Salisbury and with the new development plans of Mr. Mugabe's government before them, pledged financial aid amounting to more than Z$50m. This is a few million more than the government itself set as its target and of the total, half will be grants, with most of the rest soft loans.

The new aid should do a great deal not only to relieve the problems in Zimbabwe's war-torn areas but also to help build those new social and economic foundations which are needed now to thrust the country forward to real and sustained growth. Britain, with a total of some £125m over three years, is near the top of the donor list, which, international agencies and smaller countries like Kuwait apart, is almost entirely western.

Reagan pledge

Particularly encouraging given the conflicting voices coming from Washington on policy towards Africa, is that the Reagan Administration has confirmed the $75m pledge of new aid for next year which President Carter promised Zimbabwe. This aid still has to be confirmed by Congress and its passage is thus not assured. But its promise is a hopeful sign that the new administration will in the end prove even-handed in its dealings with the complex problems of an increasingly troubled continent.

The past few weeks have provided some worrying evidence that in its concern to curb Soviet expansion where it finds it, Washington is in danger of taking a simplistic view of African problems. The decision to ask Congress to repeal legislation which prohibits American aid to anti-government Unita guerrillas in Angola; the unprecedented visit to the U.S. by a top level South African military mission (which contrary to earlier reports not only met officials in the Pentagon but also had talks with the new Ambassador to the UN); the rumoured visit of Mr. Pieter Botha, the South African Prime Minister: all these events have suggested that the U.S. might abandon the carefully balanced if unheroic policies of its predecessors and its western allies in favour of action which could prove counter-productive to not only independent African but also to Western interests.

In particular, the possibility that Washington might join South Africa in arming the Unita rebels in Angola has sounded alarm bells in European capitals as well as in black African states such as Nigeria. Such action, influential right-wing people in Washington seem to think, would put the 15-20,000 Cuban troops now in Angola under such pressure that they would leave, thus eliminating Russian influence in the area. But the opposite would almost certainly happen.

The consequences of such a changed U.S. policy would be serious. Black African states have already expressed their anger, while oil rich Nigeria has the economic muscle to make its objections hurt. In southern Africa, all chance of a negotiated Namibian settlement would be lost. The five western powers, which included the U.S., obtained important support from Angola for the UN sponsored plan to end the war in Namibia and hold elections there. With an end to that war, Angola would have been less dependent on communist aid, and more able to develop those feelers it has already begun to put out to western investors.

Balance

These are not presumably the sort of results the new administration in Washington would want to see. Its generosity towards Zimbabwe—a country led by a man once thought to be a dangerous Marxist—shows that it recognises the need for balance in that key area of southern Africa. So too does the fact that this weekend the new Assistant Secretary of State, Mr. Chester Crocker, is to visit South Africa to try and find the basis for an internationally acceptable formula for Namibia. It is careful and cautious planning, not Right-wing bravado that the U.S. and Western States need in their dealings with Africa just now.

Reform needed in UK courts

COMPLAINTS THAT the machinery of English justice falls short of the needs of modern society are again becoming louder and more insistent. The criticism does not only come from litigants who find the processes of law too slow and their cost too high or even prohibitive, but also from solicitors, particularly from those in the provinces, and from professional arbitrators.

Accessible

A free, industrial society depends on an efficient administration of justice. The freedom of the citizen and the security of enterprise and of employment, as well as the protection of the disadvantaged, require that courts should be accessible, and their decisions obtainable in good time at reasonable cost. Moreover, London arbitration and London courts serve the world's trading community, and this service enhances the importance of the City and contributes to foreign currency earnings. A reform of the courts is, therefore, not of concern to lawyers only, and its direction and pace cannot be left for them alone to determine.

Many members of the legal profession are responding to the new demands and opportunities, but some leaders of the profession still insist that no major changes are necessary. They tend to dismiss all complaints as inspired by disappointed litigants, by academic wisdom after the event, or by a desire to destabilise the democratic society.

The fact that many complaints are so motivated should not obscure the fact that there is much to complain about. This was established beyond any reasonable doubt by the Report on the Chancery Division of the High Court prepared, at the Lord Chancellor's request, by Lord Justice Oliver and Mr. John Woolf, a distinguished civil servant. The Chancery was yet again shown to be a medieval enclave wedged between the City and the West End of London.

This court, where decisions are made about the fate of companies, patents, copyright, bankruptcies and revenue matters, knows none of the facilities employed by business organisations. It does not have a proper filing system, and some of its staff are overworked while others are idle. Few can make use of their abilities, and even fewer have prospects of a career. They tend to cling to what they have, and fear changes.

Some of this criticism applies to almost the entire High Court, but the implications of the report go further. Its authors refrained from any recommendations for the overhaul of civil procedure, but noted that hearings were delayed and costs increased by procedures which seemed archaic and ritualistic. A simplification and unification of court procedure is urgent, and should take into account that in our literate times long and repetitious speeches in court are no longer justified. Written procedure, if given greater scope, could save time and money without detracting from justice.

Restrictions

The reform should also embrace provinces which are poorly served by County Courts which share some of its judges with the Crown Courts and are subject to unreasonably low limits on what they may do.

Not only are the courts rife for reform, but also new techniques in recording, retrieving and reproducing information, provide an opportunity to jump from the quill pen era straight to the computer age.

The English courts and the legal profession were evolved at a time when the British Isles were only sparsely populated and only a tiny proportion of the population had any legal business. For a long time they were ahead of the rest of the world and developed a justified pride in their traditions, but the time has come to realise that many of these traditions prevent a proper administration of justice in a densely populated industrial country where legal business—criminal and civil—amounts to many millions of cases each year.

The initiative of Lord Hailsham in commissioning last week's report and promising action on it is most welcome. But the reform should not stop at Chancery. It is sorely needed by everybody, and we would like to hope that both the CBI and the TUC will urge it in the interest of their members. It is one of the few essential projects on which all four political parties could agree.

THE RECESSION

How Britain is shaping up

By Peter Riddell, Economics Correspondent

ALL KINDS of alphabetical images about Britain's economic future are now in fashion.

Some pundits believe there will be a modified V-shaped recovery with a clear, though gradual, upturn; others fear that the economy will "bump along the bottom" either indefinitely (in an L-shaped profile) or until next year (in a broad U-formation).

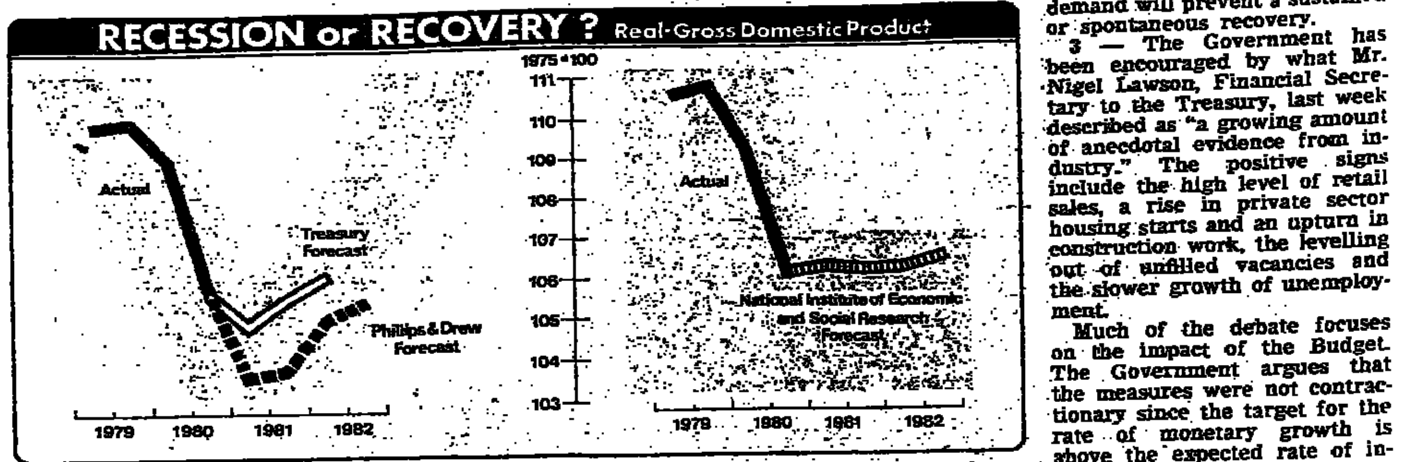
There are also some commentators who think that a slight pick-up in activity now will be knocked on the head for a time by the Budget measures, leading to a shallow W-pattern.

The Government is in no doubt. In the last fortnight Treasury Ministers and officials have claimed that the economy is close to its low point and that a steady recovery should occur over the next year. Many industrialists and private sector economists are less sure.

The actual evidence so far is mixed. After a record 10 per cent drop in manufacturing output last year almost everyone is agreed that the rate of decline is now slowing down. The question is when such a slow-down actually bottoms out and whether there will be a sustained recovery.

The debate turns on three sets of factors—first the meaning of the forward indicators used to detect turning points in the level of activity; second, economic forecasts about the main influences on demand and output: and third, evidence from around the country.

The rate of decline in Britain's manufacturing output is slowing down. But some economists question the Government view that the economy is now at its low point, foreseeing a trough over the next 12 months, rather than a gradual recovery.



Marion Sedger

1—Treasury ministers and officials have recently highlighted favourable movements in the Central Statistical Office's cyclical indicators. The longer-leading index (looking ahead an average of 15 months to troughs of the business cycle) has been rising since November 1979, apart from a hiccup last spring. The shorter-leading index (looking ahead an average of five months) has been rising since last November and the coincident index has been virtually unchanged since last November. The CSO has concluded that these indices are consistent with a trough.

The conclusions are inevitably tentative. The indices are, for example, based on components (such as share prices, interest rates, profits, sales, output, investment and profits) which are volatile and subject to revision. Moreover, the indices are often initially based on partial information; for example, the levelling out of the coincident index is so far based only on the high level of retail sales in January which could be temporary. Moreover, the intervals between the turning points in the indices and in the economy can vary considerably.

The Government has also drawn comfort from the Confederation of British Industry monthly trends inquiry and from the Financial Times business opinion survey. Ministers have claimed that the recent replies on new orders and stock levels suggest that the worst is nearly over. In contrast, the CBI has maintained — for example in its new inquiry this morning—that the rate of deterioration has merely slowed and has not yet come to an end since the balance of answers is still negative.

2—There has been a fierce debate among economic forecasters. The Government's cautious optimism has in part rested on the view that what comes down must come up. The sharp fall in output last year principally reflected a reduction in industry's holdings of raw materials, work in progress and finished goods. Such destocking cannot be indefinite and Ministers believe that the rate of reduction will slow this year. This smaller minus figure will have a favourable impact on the overall level of activity. Moreover, recovery in 1982 should be sustained by a rise in consumer demand as inflation declines, and by some upturn in the world economy. All this should produce a V-pattern.

In contrast, many City and academic economists have queried the basis for recovery. Further large-scale destocking is still likely while other influences on activity (exports, investment and consumer demand) will probably all decline; ironically, public spending may be about the only positive factor. Supporters of the L-shaped or shallow W approach (such as the CBI economists and the National Institute of Economic and Social Research) believe that industry will continue to cut stocks in 1982 and that weak demand will prevent a sustained or spontaneous recovery.

3 — The Government has been encouraged by what Mr. Nigel Lawson, Financial Secretary to the Treasury, last week described as "a growing amount of anecdotal evidence from industry." The positive signs include the high level of retail sales, a rise in private sector housing starts and an upturn in construction work, the levelling out of unfilled vacancies and the slower growth of unemployment.

Much of the debate focuses on the impact of the Budget. The Government argues that the measures were not contractionary since the target for the rate of monetary growth is above the expected rate of inflation and "some real recovery of domestic demand" should be possible. Neo-Keynesian economists stress the impact of the cut in public sector borrowing produced by higher taxes. They believe that any recovery has been made more fragile.

The scope for recovery is still largely a matter of faith, hope and considerable charity. When pressed on the issue by the all-party Treasury Committee last week, Sir Geoffrey Howe, the Chancellor, said there was a danger of being too sceptical and of pressing the analytical arithmetic too far. He preferred conclusions suggested by common sense. Moreover, that least starry-eyed of observers, the stock market, is now looking beyond the trough, with the FT 30-share index at a 22-month high last week.

Industry: a long drag along the bottom

By John Elliott and Arthur Smith

NO ONE in industry believes that the Chancellor of the Exchequer can really expect to be taken seriously when he talks about early signs of the recession bottoming-out. There is a general feeling around among companies both large and small that things have stopped getting worse or, to put it more precisely, that the rate of decline is slowing down. But that is not to say that industrialists are looking forward to the middle and end of this year with any great confidence, or that they are in a mood to have their fortunes talked up by Sir Geoffrey Howe.

They do not believe that the recession is ending and view the rest of this year with more apprehension and uncertainty than was apparent 10 months ago.

They acknowledge that the situation has eased slightly, since orders have started trickling in, albeit often at unattractive prices, which are causing what one manager called "profit-less prosperity." There are also signs in many quarters that de-stocking is easing. But there is no confidence about how long this will last and there are widespread fears, even among the more optimistic, about the long period of time in which the UK will stay deep in recession.

Factory closures and heavy redundancies have not yet finished. Even the most confident companies admit that more employees may have to be sent to the dole queue.

Industrialists are highly sceptical about any suggestion of a quick recovery. Orders have improved slightly in some areas but industry is still in deep recession and the shake-out has not yet stopped. There is little confidence about the rest of the year.

Orders are being obtained abroad more readily than late last year, but at increasingly unprofitable prices because of the level of sterling. Some of the more successful companies are holding off taking orders at home and abroad in the hope that their reputation for quality and delivery will win them higher prices later in the year. But if this gamble does not come off, there could be more cutbacks.

On the other hand, there is no firm evidence yet that the lack of overall help in the Budget is about to trigger a third major bout of closures and redundancies. The first two major rounds occurred last spring when managements reacted with shock at their first quarter's results, and early last autumn when they returned from summer holidays to find the recession deepening. Many companies fear that there could still be a third round, especially in general engineering and for others associated with car and commercial vehicle manufacturers, which are still in the doldrums.

In addition, there is still a risk that companies which had been holding on to product lines and workers in the hope of better times, will feel forced to order more closures in the next few weeks once they have fully assimilated the effects of the Budget.

Generally, however, senior managers are beginning to emerge from the gloom of the past few months. Some managers are ebullient about having snatched one or two orders in the past few weeks after months of fruitless searching, while others say they are still managing to beat foreign competition, although the high level of sterling is knocking their profits.

"There is evidence that we have bottomed-out: if you use a very large magnifying glass you can even just see a movement off the bottom—but I'm clutching at straws," said the director of one large industrial complex providing basic materials. "I feel the bottom is more nearly in sight," said another with small factories in different parts of the country connected with engineering and large construction sites. "I think we might feel something under our feet on the bottom soon—even if our heads are 3 ft below water at the time." Yet there is no real sign of a pick-up in construction activity, or in engineering work, so there are fears that a downward slide will return later in the year.

This is connected with the state of stocks. Companies at all stages in the manufacturing, wholesaling, and retailing businesses have been destocking heavily for nearly a year. This is now easing, and in a few cases appears to have stopped, although more retail destocking in particular is still possible as High Street sales fall after the post-Christmas sales surge.

In addition, no company down the manufacturing line is sure how much stock-rebuilding its customers intend to do. In tune with the slimmer and more competitive Britain which is supposed (according to Mrs. Thatcher) to emerge from the present troubles, companies insist that they will now live with lower levels of stocks. This could mean that only a limited number of stock-building orders are placed and that manufacturing activity then declines again unless there is a general surge in demand—which few if any companies are prepared to anticipate.

So there is great uncertainty. There is not even any great uniformity of view in different regions. The Midlands, linked to the motor industry in particular, is producing the most gloomy forecasts of continued labour-shedding and closures—illustrated by the recent developments at GKN and Lucas. Companies are buying more components abroad, because of the level of sterling, which is hurting their traditional UK suppliers.

In the North-east, continued redundancies are expected and even in the South, which is usually cushioned from the shocks of recession, there is little confidence that things will improve soon, even though they might not get much worse. "We are going to have a long drag along the bottom of this recession," is a typical comment.

"We have been lucky in the south because of our industries like electronics, pharmaceuticals and aerospace which have been doing all right through the recession. But people who have been doing badly are still doing badly, so we are wondering what Sir Geoffrey's sources of information are," said one industrialist.

Two other factors emerge strongly. First, while many industrialists understand why the Budget was hard on them, they condemn the Government's failure to cut public spending. Many are increasingly critical of the amount of money being spent on BL and British Steel.

Second, there are widespread reports of unions and workers continuing to accept pay rises well under 8 per cent, with many accepting no increases, or having rises deferred till later in the year. Severe liquidity problems are preventing companies relaxing and being more generous in pay negotiations.

In the background is a deep concern about the state in which industry will emerge in a year's time. "I don't think people realise how desperate the impact of sterling is," said one of the country's more successful engineering entrepreneurs. "Nor will they realise till the economy improves how much the country has lost from its industrial base of good sound companies that have just not survived."

MEN AND MATTERS

An offer they could refuse

Behind the stony visage of the Bank of England there lurks, I can only assume, a newly-apparent fondness for actuaries. Professional pride induced a number of actuaries to put in very low tenders for the new index-linked gilt-edged stock—say around £85 per cent—so as to teach the Government a lesson for offering too low a real return.

Infinitely obliging as ever, the Bank decided that it would not even bother to clear any cheques submitted below a £100 threshold. This considerate course of action may have cost the Bank interest over the weekend of £250,000 on every £250m of uncleared cheques—though also saving it the trouble of tidying up the resultant shortage in the money markets. But that is a small price to pay for putting the actuaries, so very diplomatically, in their place.

Tax points

The Treasury is, I gather, receiving no shortage of guidance from the Great British Public on how more equitably to redistribute the tax burden—most suggestions taking the traditional view that the ideal source of revenue is somebody else's source of pleasure.

According to a recent speech by Chief Secretary Leon Brittan, the most popular proposals to crop up in post-Budget Ministerial postbags are a tax on electronic Space Invader games and an increase in dog licences.

Boosting the Fido fee does not appear to be on because, although licences currently yield a paltry £1m, an increase would whip up a fury in the Tory shires beside which the petrol tax reaction would pale into insignificance. As for Space Invaders, square-eyed, white-knuckled readers will be relieved to learn that revenue-raising from this source is equally unlikely since it is not a gambling game and a levy would in any case yield less than £5m.

Beyond Price

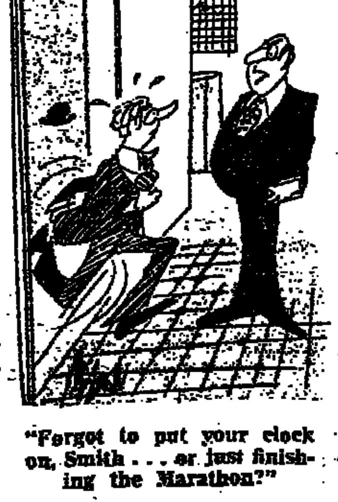
Helping to produce a kung-fu comedy film featuring Bianca Jagger is not, I contend, quite where one would expect to find a former manager of Price Waterhouse. But after years of lobbying on behalf of small businesses, Christopher Kirkham-Sandy has found that quitting his job with the City accounting firm to practice what he preaches has taken him into unexpected pastures.

Kirkham-Sandy cut his teeth on small business theory as right-hand man to junior Industry Minister David Mitchell, for whom he went to the United States to produce a report on the American small business loan guarantee scheme which formed the basis of the Tories' version.

Kirkham-Sandy now divides his time between the provision of financial advice to small companies, and running one of his own. But that venture, Brecon Computer Services, may not be calculated to win him too much gratitude from former professional colleagues. For the computerised accounting bureau is designed to minimise the need for an accountant on the spot. Clients send Brecon details of their company's financial transactions, and get in return a monthly statement of their current financial position.

Brecon's clients include two film companies: VDO productions, a UK venture to produce video children's comics with "educational undertones;" and Hong Kong's Golden Communications, whose new film Cannonball is due for release this summer. The slapstick martial arts film stars, in addition to Jagger, Burt Reynolds, Roger Moore, and Bruce Lee successor Jackie Chan.

Closer to home—Richmond, to be precise — Kirkham-Sandy schemes to bring the microprocessor to East Sheen. Following the pattern of the Cambridge science park, it is planned to bring together a stable of high-technology small firms under the roof of East Sheen's Newton House.



"Forgot to put your clock on, Smith . . . or just finishing the Marathon?"

Changing course

You might think that we British have been getting pretty excited lately about the start of the Flat racing season. But the fervour is as nothing, I am assured by my man on the spot, by comparison with the atmosphere in Dubai on Friday as scores of local sheiks pressed round the finishing line to watch no less than 17,000 camels compete for the coveted Sheikh Rashid Cup.

The denizens of Dubai are, I gather, planning to broaden their racing tastes to take in competition of an appropriately petroleum-based kind. If the plans of a British company, International Festival Services, succeed, December will see a motor Grand Prix run through the town streets. IFS's rally organiser, Martin Hone, dangled before the local Press over the weekend the prospect of Dubai playing host to 27 world champion drivers of various classes plus 50 other competitors, in an event sponsored by local trading houses like Abdul Wahab Galadari and Al Futtaim. Among the names floated as potential competitors are Alan Jones, and Jody Scheckter; and even the now rather distant names of Juan Fangio and Sir Jack Brabham.

Instant coffins

Since it is extremely unlikely that you will have had either the opportunity or the inclination to study the coffin industry, and since it is extremely likely that you will eventually be the proud possessor of one—albeit, perhaps, purchased indirectly—allow me to draw your attention to a few salient points made in the Building Book published last week by stockbroker Savory Milln.

Brooke Bond Liebig's newly acquired subsidiary Mallinson-Denny has, reports Savory Milln, a number of companies engaged in coffin manufacture. "In addition to manufacturing with solid timber," I learn, "we estimate that the group holds a 40 per cent share in the chipboard coffin market and is the largest UK manufacturer. The coffins are supplied to customers in the form of knock-down sets."

Thoughtful

"But I mustn't keep talking about my problems, dear. I can guess what you're thinking."

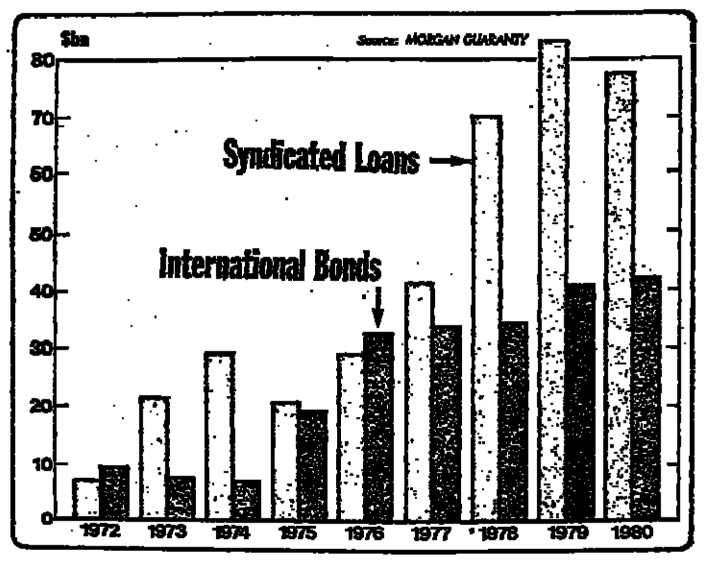
"Really, dear? You must think me incredibly rude."

Observer

FINANCIAL TIMES SURVEY

Monday March 30 1981

International Capital Markets



CONTENTS

The world financial community—despite early doubts—performed well last year in coping with its task of channelling money flows. This should give it renewed heart for this year, when the challenge can only prove greater.

System passes severe test

By Peter Montagnon
Euromarkets Correspondent

FOR MANY participants in the international capital markets the 1980s opened on a note of agonising self-doubt. Not only did the previous decade close with a new surge in oil prices but the U.S. also seemed to be waking up to the perils of inflation and was prepared to apply a monetary squeeze of unprecedented dimensions.

It is hardly surprising that many international bankers felt sure they would be unable to cope with the recycling burden imposed upon them in such an unfavourable climate. This was different from 1974-75, they argued, because although the debt problem of developing countries had not worsened in real terms since then the amounts needed were now so large in nominal terms that some banks would simply get cold feet.

Nowhere was this so evident as in the case of Brazil, whose debt problem was a talking point for most of the year. As the country's $12bn borrowing programme began to run heavily behind schedule more and more bankers openly admitted their fears of default, or at least a mammoth rescheduling exercise that would trigger a major crisis of confidence in the international banking system.

Nor was life much easier in the bond markets. Short-term U.S. dollar interest rates surged early in the year as President Carter was forced to concede his second economic restraint package in six months. The second package was much more brutal than the first—in its wake the Prime Rate climbed to 20 per cent, the highest level then on record, and dollar Eurobond prices collapsed.

So violent was the movement that even hardened bond dealers thought their day of reckoning had come. The market contracted as smaller houses withdrew. Retail investors were nowhere to be found and for a while it appeared inconceivable that normal trading could ever be resumed.

Yet if there is a lesson to be learned from 1980 it is surely that at least some of this self-doubt was misplaced. As it turned out international bond markets were able to absorb a record amount of new issues last year and, 12 months after the second Carter package, Brazil is now ahead of schedule with its 1981 borrowing programme from international banks.

Indeed, the recycling problem last year seems to have been overcome rather more easily than many expected. A source of worry at the time was the marked slowdown in publicised medium-term Eurocurrency lending to the developing countries.

Figures compiled by Morgan Guaranty showed that for the year as a whole such lending dropped by $12.2bn to $23.2bn and as the trend became clear it was interpreted as meaning that the developing countries were having difficulty satisfying their financial requirements.

Recent figures from the Bank for International Settlements show, however, that three countries were able to draw increasingly on bank credit. During the first nine months of last year all forms of bank credit to the developing countries grew by $5bn to $28bn; it seems to have been only syndicated lending that fell.

Assuaged

A year's successful recycling of the oil-exporters' balance of payments surplus has assuaged some of the alarm with which this problem was generally regarded at the beginning of 1980. Similarly, on the bond markets a year of very high and volatile interest rates has left both bankers and borrowers resigned to the notion that the days of low and stable rates are over.

That the bond market can function under such circumstances has been demonstrated by an issue for Ford Credit, the financial arm of the motor manufacturer, which was prepared earlier this year to pay a coupon of 16 per cent, the highest ever seen in the Eurobond market. The bonds were oversubscribed and the amount of the issue was raised to $150m from $100m.

This is not to say that 1981 will be an easy year for the international capital markets. Serious problems remain even if the experience of 1980 gives less ground for pessimism than existed before.

The recycling task will again be awesome this year. Oil exporting countries are expected to run up a surplus of $85bn on their current account balance of payments while the deficit of developing countries will increase to about $80bn.

The International Monetary Fund seems to be well on the way towards raising an additional $6bn to $7bn from OPEC countries and central banks in the industrialised world to help it meet its extra lending burden, but the degree to which the World Bank will be able to step in with more funds for the developing world seems threatened by the unwillingness of the Reagan Administration in Washington to contribute.

Already there is some doubt as to whether the Bank will be able to go ahead with plans to raise the capital and its proposed affiliate for financing energy projects in the Third World. Lending by the International Development Association (IDA), its section that gives loans at heavily-subsidised rates of interest to the world's poorest countries, almost certainly will cease later this year if the problem of U.S. contributions is not solved.

But the World Bank has another, somewhat less well-publicised funding problem which is intimately linked to the situation of the international capital markets on which it depends for money.

Until very recently the Bank, which has raised more money on international bond markets than any other single borrower, was able to borrow easily at low rates of interest. It concentrated on the hard currency markets, particularly those for D-Marks and Swiss francs which offered funds at very low rates of nominal interest.

This was a very lucky policy. The Bank was able to keep its average borrowing cost from rising sharply in its 1979/80 fiscal year; it was only 8.24 per cent compared with 6.22 per cent in 1978/79. As the D-Mark and Swiss franc depreciated last year its outstanding debt was also reduced in dollar terms, so it was able to pass on hundreds of millions of dollars to its borrower members in terms of interest and currency gains.

But now the outlook is far less pleasant. Around the world interest rates have been rising in sympathy with the tight policy of the Federal Reserve Board in the U.S. The World Bank seems to be running out of markets in which successful issues can be floated. Already it has seen two of its bond issues undersubscribed this year, one in Switzerland, which is a traditional market for its paper, and another in Holland, where it was floating a bond issue for the first time in several years.

Supranational

Germany's capital market, though closed to other foreign borrowers, has been held open for supranational institutions despite the reluctance of the Bundesbank, but coupons there are now well in the double digit range, a far cry from levels of the good old days.

The World Bank, it seems, may have little choice this year but to diversify its borrowing into some of the higher coupon markets it has shunned up till now. This can only mean higher borrowing costs and in the last analysis higher lending rates on the loans it extends to the developing world.

In fact the price of money, rather than its availability in most cases, is perhaps the biggest problem facing the capital markets. This applies to syndicated lending as well as in the fixed interest bond markets. It has been estimated that each one point increase in London interbank interest rates costs Brazil more than $300m a year in higher interest costs.

For the lenders other constraints are looming. For example, central banks have begun to pay much closer attention to questions of country risk exposure and the capital backing on international business.

Banks in a number of countries are now being asked to produce consolidated balance sheets on which higher capital ratios are to be applied. Knowledge that this is imminent in Germany has already led banks there to cut back on syndicated lending. German bankers now say they need a margin of about ⅞ per cent for a deal to be commercially viable and few indeed are the quality borrowers offering such high remuneration.

Again, while Brazil's problems have abated for the time being there is a growing number of smaller countries in the developing world whose difficulties are mounting. These are often countries too small to receive much publicity, such as Liberia which seems to find debt service payments harder and harder to meet, and Costa Rica, which has run out of foreign exchange reserves.

But for the countries themselves the problems are acute and as their number grows the potentially destabilising effect on the world of international finance becomes more and more real.

Also, the spectre of difficulties emerging for a major international borrower still stalks the capital markets.

Uncertain

Poland has asked international banks to reschedule $3.1bn in commercial debt maturing this year. It is already clear that a similar exercise will be needed in respect of 1982 and probably 1983 as well. The banks have little stomach for such a task in view of Poland's very uncertain economic and political prospects but they know also that too much is at stake for them to be able to turn Poland's request down flat.

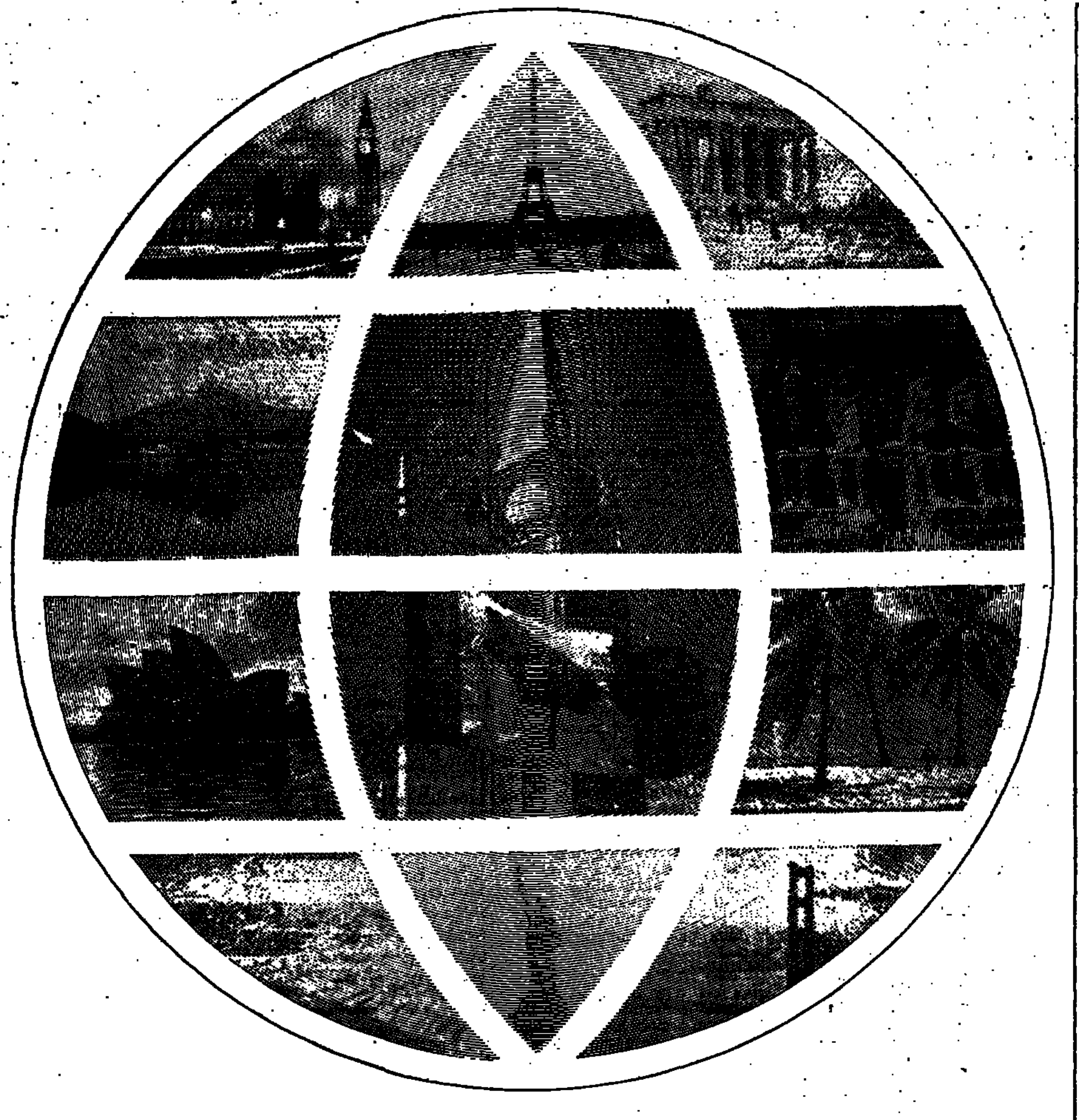
Will the international capital markets be able to cope with problems such as these in 1981? The answer on the basis of past experience is probably yes. The markets survived the last oil price shock and the collapse of Bankhaus Herstatt in the early 1970s much better than most expected at the time.

But it will require a high degree of imagination and flexibility on the part of both borrowers and lenders for international banking business to continue to operate smoothly in the years ahead.

Another question, so frightening that one hardly dares to ask it in public, is what will happen if the markets fails to cope? The answer must only be that they cannot be allowed to fail.

In the last resort the international capital markets simply bridge the gap between those who have surplus funds and those who, often for reasons outside their own control, have too little. Failure of the markets to cope with recycling the oil surplus or the new regime of high interest rates would mean this link was broken.

The consequences hardly bear contemplation. They reach beyond the merely financial in a world already beset with international recession. In large parts of the world social, political and economic stability would be directly threatened if the supply of international finance were suddenly to dry up.



Continued growth despite climate of restraint

International Lending

PETER MONTAGNON

INTERNATIONAL bank lending continued to grow last year despite a new climate of restraint imposed by central banks.

Latest available figures from the Bank for International Settlements (BIS) put total international claims of banks in its reporting area at $1,248bn at the end of last September, up $138bn on the level of December, 1980. This was a rather slower rate of growth than that posted for the first nine months of 1979 when the claims rose $148bn to a total of $1,042bn.

The BIS figures are compiled from returns submitted by banks in the Group of Ten industrialised countries in Switzerland, Austria, Denmark and Ireland, and by the branches of U.S. banks in the main offshore centres of the Caribbean and Far East.

Comprehensive

They include all forms of cross-border lending. Inter-bank dealing and other types of short-term business are carried in the figures which makes them both uniquely comprehensive and hard to interpret. Other statistics covering much narrower ground may, for example, paint a rather different picture. Those compiled by Morgan Guaranty Trust on publicised medium-term Euro-credits showed a decline in this form of bank lending last year to $76.5bn from $82.8bn.

But the BIS figures do cast light on some important developments in international banking. For instance they show a marked deterioration in the ability of Eastern European countries to borrow from Western banks in the aftermath of the Soviet invasion of Afghanistan.

New borrowing by these countries was only $2.2bn in the first nine months of 1980 compared with $6.1bn in the corresponding period of 1979. At the same time the countries concerned drew on existing deposits with Western banks to the tune of $1.9bn whereas in 1979 they had added to them by $2bn.

OPEC countries also cut back their borowings to $1.9bn in the first three quarters of last year from $6.1bn in the corresponding 1979 period. Their deposits grew sharply by $35.5bn compared with $24.4bn a year earlier but this growth was not as great as might have been expected given their substantial balance of payments surplus estimated by OPEC at $100bn for the full year.

A significant portion of this surplus appears to have been invested outside the banking system—in direct lending to countries such as W. Germany and in the purchase of securities.

By contrast the net borrowing of non-oil developing countries rose sharply during the first three quarters of the year to $22.1bn from $14.2bn in the corresponding 1979 period as they struggled to cover their growing balance of payments deficit.

Here the contrast with Morgan Guaranty's figures is particularly marked. The U.S. bank says that borrowing by the developing countries in the syndicated loan market fell last year to $23.2bn from $35.4bn a year before.

The BIS figures suggest therefore that the developing countries managed to arrange large amounts of private finance during the year. Some of this money was certainly very short-term in nature, but the suspicion remains that banks operating in the Euromarkets are doing more and more business on a bilateral basis instead of setting up loans for multilateral syndication.

What is particularly hard to decipher from the BIS figures is a true picture of the international lending activity going on within Europe itself.

This is because the figures cover claims in a wide range of currencies whose value changes from quarter to quarter and because they include a substantial amount of inter-bank dealing which can lead to double-counting as money passes from bank to bank before finding its way into the hands of an end-user.

Adjustment

The BIS does not publish full estimates of such business after adjustment for the effects of exchange rate changes and double-counting, but its commentary accompanying the tables normally attempts to show how these factors have affected the market.

Thus, it estimates, for example that at constant exchange rates and excluding double-counting the amount of new lending in the Euromarket proper (foreign currency lending by banks in Europe) slowed to $20bn in the third quarter from $32bn in the second quarter of last year.

There were two special factors influencing the decline. One was the abolition of Britain's "corset" controls on lending by domestic banks, and the other the unwinding of the credit restraint programme in the U.S. These developments meant that non-bank borrowers in Britain and the U.S. were again able to satisfy their credit needs domestically instead of looking abroad for funds.

But it is worth noting that the decline in Euromarket lending to the non-bank sector was accompanied by a drop in inter-bank business. The BIS does not say as much, probably because it is too early to deduce any trend, but the observer is left wondering whether this represents a first sign that the restraint sought by central banks is beginning to be felt.

For some while central banks have been perturbed by the sharp growth of the Euro-markets, both because of the increasing risk involved in international lending and because some central bankers fear that Euromarket lending which is not as easy to control as domestic lending can run counter to efforts to curb inflation by reducing the supply of credit.

After much deliberation the world's leading central bankers produced a statement a year ago in which they set out the way they wanted restraint to operate. Basically it involves closer supervision and monitoring of the market.

Meanwhile, the movement towards compulsory consolidation of international bank balance sheets with a corresponding adjustment in the capital requirements on international banks has accelerated.

The central banks are particularly anxious to see that international business taken on by banks in their countries is adequately backed with capital and reserves.

They are also increasingly concerned to ensure that banks do not lend too much to any one particular borrower and that they do not fall into the trap of borrowing short to lend long.

A graphic example of the impact of this new climate of restraint is given by the German banks, which all but withdrew from the syndicated loan market in the second half of last year because of the low level of margins. They felt that the higher capital likely to be required of them when consolidation is introduced, probably next year, simply meant that such business would not be lucrative in the longer run.

INTERNATIONAL BANK LENDING
(Total loans outstanding by location of borrowers—$bn)

	1979 4th qtr.	1980 1st qtr.	1980 2nd qtr.	1980 3rd qtr.
Leading industrial countries†	587.7	599.1	644.1	658.2
Eastern Europe	55.9	53.3	57.6	58.1
Non-oil LDCs	157.1	158.1	172.3	183.5
OPEC countries	64.1	59.9	63.2	66.0

† G-10 Industrialised countries, Switzerland, Austria, Ireland and Denmark.

Source: Bank for International Settlements.

Banks still handle lion's share

OPEC Surpluses

DAVID MARSH

FEW TOPICS during the last two years have so many bankers and government officials reaching for the hair tincture bottles as the issue of recycling the oil exporters' surpluses.

Looking back on 1980, though the task of channelling the $110bn to $120bn surplus of the Organisation of Petroleum Exporting Countries (OPEC) back to the deficit areas of the world seems to have been accomplished with remarkable smoothness.

But with the non-oil developing countries being hit increasingly hard by the lethal combination of expensive oil, rocketing interest rates and world-wide recession, worries are building up that the process will not be so easy in 1981 and 1982.

Rescheduling of loans for countries ranging from Poland to Bolivia is becoming an ever more frequent occurrence. But at least—in contrast to the aftermath of the first big oil price rise in 1973-74—no large industrial nation is in serious trouble.

A rash of calls on its resources by developing countries has been the main reason why the International Monetary Fund (IMF), after standing on the lending sidelines for years, is now marshalling extra funds to bail out nations in need.

After years in which the big international banks have made all the running in providing world-wide balance of payments finance, it might seem both politically and economically desirable to shift the burden of lending markedly towards supranational institutions and governments.

This is not likely to happen, however. The lending share of the IMF will undoubtedly increase, reflecting the greater flexibility of its loan conditions and its new-found willingness to extend more money for longer periods.

The channels through which recycling takes place may become more complicated as the OPEC nations become more sophisticated in their financial dealings.

But the great bulk of recycling will continue to be done through the banks for the simple reason that the lion's share of surplus liquidity, from the oil States and elsewhere, is still being deposited with the international banking system.

Borrowing countries may thus not have to worry too much about the supply of deficit-plugging funds.

But Finance Ministers might well spend sleepless nights pondering ruefully on its cost. This has already increased sharply, not only as a result of rising interest rates in the U.S., West Germany and elsewhere but also because of higher lending margins for the poorer credit risks.

The Third World's need to rely — however painfully — on the commercial markets has been underlined by the decision of the U.S. Administration to cut contributions to the World Bank. Governments around the world, with Britain leading the way in Europe, are generally pruning their aid budgets in the cause of public spending stringency.

Poverty

This may reduce inflation in the West. But it will further increase the poverty gap between North and South.

Preferring to leave to the banks the job of direct involvement with the poorer nations, OPEC governments during 1980 showed little extra enthusiasm for increasing their loans to developing countries.

The newly-formed Arab banks did, however, show what could be done in the future. And important steps took place towards direct deals with the triple A borrowers in the industrialised world.

West Germany in particular raised large sums in D-Marks from the Saudi Arabian Monetary Agency as the Bundesbank overcame its distaste for D-Mark internationalisation in the cause of financing its massive current account deficit.

Japan too relied on OPEC inflows—much of them on to the equity markets as well as into yen deposits—to help plug its own deficit.

As the world moved apace to a multi-currency reserve system, the oil States also moved large investments into sterling, the French franc and the Swiss franc. In the first two cases, OPEC diversification was a major reason for the surprising strength shown by these currencies.

With the dollar remaining the currency in which almost 100 per cent of oil payments are made, and U.S. interest rates attractively high for much of the year, most OPEC funds continued to be placed in the American currency. A mid-year estimate was that around 60 per cent of new OPEC deposits were in dollars—although this was well down from the proportion in the mid-1970s.

The U.S. Government's move to block Iran's dollar assets in November 1979, shortly after the seizure of the American embassy in Tehran, made some OPEC investors wary of the dollar in the early part of the year. The effect later wore off. But it may have led to an increased share of OPEC dollar deposits being placed in the Euromarkets rather than in the U.S.

The unabated expansion of the Euromarkets was the main factor behind the continued rapid rise in bank lending to developing countries. Figures for the first nine months of the year provided by the Bank for International Settlements indicate that this lending was much faster than shown by the volume of published syndicated credits.

The political complexity of any attempt to involve OPEC more fully in the recycling process was underlined by the imbroglio over the IMF's efforts to raise more funds from the oil States.

Following the West's refusal to allow the Palestinian Liberation Organisation observer status at the Fund's annual meeting last autumn, both Saudi Arabia and Kuwait threatened to make no further loans to either the IMF or the World Bank.

The issue now appears close to resolution. It seems as though the Fund will now be raising its extra requirements for 1981 from a mixture of OPEC institutions and Western central banks, rather than having to go to the commercial markets itself.

Reflecting Riyadh's desire to play a more active role, at least on the technical level, some of the details of the IMF's fund-raising have been tied up in informal meetings in Europe between Saudi Arabian and Western monetary officials. Unless unexpected political obstacles are put in the way, the hope must be that this sort of co-operation will intensify in 1981.

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Topsy-turvy world as weak currencies become strong

Foreign Exchange

DAVID MARSH

"IT SHOULD be possible over time to reach a broad consensus about levels of a few key exchange rates that are *not* acceptable—that are plainly disruptive of mutual objectives."

The spirit of greater international co-operation to manage exchange rates—set down in a lecture in November, 1978, by Mr. Paul Volcker, now chairman of the U.S. Federal Reserve Board—may have been kept alive in theory during the past 12 months. But in practice it has not worked very well.

Exchange rates have been through one of their most turbulent periods since the break-up of the fixed-rate Bretton Woods system nearly a decade ago.

The big difference compared with the recurrent currency crisis of the mid-1970s has been that downward pressure has hit the traditionally "hard," low inflation currencies — the D-Mark and the Swiss franc—and at one time the Japanese yen.

In a complete switch of roles, the high inflation currencies which looked so sickly a few years ago, led by the dollar, sterling and the French franc, have been sufficiently strong to cause periods of considerable disruption on the foreign exchanges.

Convincing

This remarkable change has come about basically because the West Germans and the Swiss, preaching the gospel of hard money and tough anti-inflationary policies during the mid-1970s, succeeded only too well in convincing their audiences.

With Governments all over the world now refusing to reflate their way out of the recession sparked off by the 1979-80 round of oil price increases, international investors have lost their fundamental fear that the "soft" currencies will carry on sliding.

Rather than worrying about the risk of capital depreciation, depositors have been focusing almost entirely on the criterion of short-term yield.

The massive volumes of footloose funds marshalled by the oil-exporting States, multinational corporate treasurers and big institutional investors have thus flowed where interest rates are highest—into the currencies of double-figure inflation countries like Britain and the U.S.

The topsy-turvy nature of the foreign exchanges has been made even more pronounced by a dramatic shift in the distribution of current account deficits and surpluses around the industrialised world.

The U.S. and Britain, both offering attractive interest rates as a result of their strongly monetarist policies, have also moved into substantial current account surpluses.

This has happened at a time when West Germany and Japan—whose own surpluses were the *bane of the rest of the world in* 1977 and 1978 — have plunged deep into the red.

There is an additional bonus; both America and Britain have their own oil supplies at a time when supply shortfalls and high prices have brought both economic and strategic risks to other countries.

Throw in the further factor that President Reagan and Mrs Thatcher are two leaders to whom the foreign exchanges (however misguidedly) feel a strong emotional attachment — and it is hardly surprising that the dollar and sterling have been the darlings of the currency markets.

In retrospect Mr. Volcker's espousal of "quiet mutual contingency planning"—aimed at creating "clearer understanding of a few leading nations among themselves about what extremes of fluctuation are mutually tolerable, and which should be strongly resisted,"—can now be seen to have had its heyday in the early months of 1979.

At that time the U.S. and West German authorities could point to the stabilisation of the key dollar/Deutsche Mark rate after the November 1978 support moves as proof that co-operation was alive and effective.

The European Monetary System (EMS), aimed at creating a zone of foreign exchange stability in Europe, had just been set up, symbolising the new desire to bring peace to the crisis-ravaged currency markets.

The picture has now changed—but hardly in the way that anyone could have expected two years ago.

The West German Bundesbank (central bank) has been forced to raise interest rates to an almost unbelievable 5 to 6 points above Germany's still modest (5.5 per cent) inflation rate in order to defend the Deutsche Mark from the worst bout of currency pressure in the 32-year history of the Federal Republic.

The Swiss National Bank too has had to raise interest rates sharply to ward off the uncharacteristic weakness of the Swiss franc.

Among the former "hard" currency trio, only the Japanese have been able to counter their own advancing economic downturn through a cautious lowering of interest rates.

The dollar has been under such upward pressure that the New York Federal Reserve Bank for months has been intervening heavily to brake its climb against the D-mark and other currencies. By January the U.S. Treasury had amassed $10.7bn in currency reserves (mainly in D-marks) as a result of this intervention—compared with practically none before the Americans took the historic step of starting to build up their currency holdings in November 1978.

Intervention

The Bank of England, on the other hand, has stood back from large-scale intervention to brake the rise of the pound.

Sterling has risen some 15 per cent during the past 18 months on a trade-weighted basis, or more than 20 per cent in real terms (making allowance for inflation differentials). This has helped to bring down Britain's inflation rate but has also deepened even further the country's worst post-war recession.

The EMS has faced only three parity realignments since it started—the last one involving the lira devaluation earlier this month. Before that currency rates had been unchanged for 16 months. On the face of it, this looks like a success story.

But the Bundesbank and the other EMS central banks are worried that this apparent stability is simply storing up trouble for the future. The lack of change has allowed currency rates to become way out of line wih strongly diverging EEC inflation rates.

During the spring and autumn of last year and again more strongly last January, the French franc rose to the top of the system against the D-Mark, which required strong support intervention to prevent it breaching its set limits.

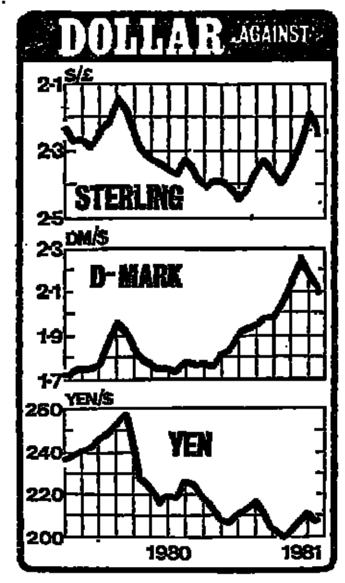
Following the Bundesbank's sharp increase in interest rates in February, the D-Mark itself has now dislodged the French franc from the No. 1 spot. The Banque de France is hoping that overdue downward pressure on its currency will not intensify ahead of the April/May presidential elections.

Meanwhile the weaker currency countries like Belgium and Italy have been forced to match interest rate increases abroad by tightening the monetary reins further. This carries the obvious risk of damaging economies—and political systems—which are not so resilient to recession as Germany's.

Sharp fluctuations in interest rates during the past year along with the movement of exchange rates clearly against the underlying direction of inflation differentials have created a sharp dilemma for Euromarket borrowers and investors.

International interest rates are now in the region of 12 to 14 per cent for all the major currencies apart from the Swiss franc and the yen. Interest rates have hardly ever been so aligned in nominal terms—but real (inflation-adjusted) rates have hardly ever shown such marked divergences.

If the high-and low-inflation currencies start to move once more according to the traditional patterns, reversing the shifts of the past two years, then the cost of being in the wrong currency for both borrowers and depositors could be very high indeed.



Questions Wall Street has to try and answer

United States

DAVID LASCELLES

TO SAY that the U.S. credit markets face a period of uncertainty hardly rates as news these days. But even amid last year's turmoil, when interest rates hit new highs, there were never so many question marks over the future as there are today. This is ironical given that the country now has a President who is deeply committed to tackling America's economic woes and setting the economy on a path of steady, non-inflationary growth. But it is precisely the promise held out by the Reagan Administration that is causing the trouble because it forces Wall Street to confront two virtually unanswerable questions.

First, how much of the Reagan economic package will get through Congress, and how quickly. Second, once a package is approved, will the Reagan prescription work?

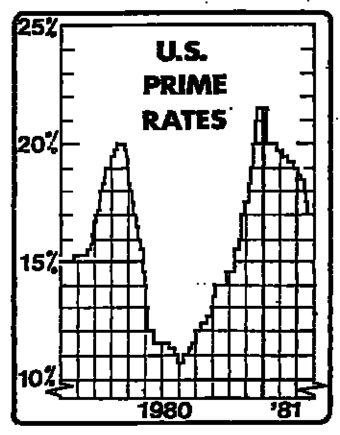
By slashing taxes and Government expenditure, Mr. Reagan hopes to revive the economy. For Wall Street this would mean less Government borrowing and lower inflation, both of which developments would bring interest rates down, though by how far is anybody's guess. (The Reagan plan aims for an inflation rate of 5.5 per cent by 1985, so presumably it implies that interest will be around that or a bit higher.)

But will it achieve these laudable goals, or only trigger a new round of inflation?

Some people have tried to interpret the recent decline in U.S. interest rates as a sign that the package will not only be passed quickly but will succeed. Mr. Alan Lerner, who analyses the credit markets for Bankers Trust, notes: "There is a definite ray of hope in the markets in contrast to recent years."

Indicators

But many people believe the decline owes more to the easing of economic pressures since the spike in interest rates at the end of the Carter Administration than to any change in fundamental attitudes brought about by Mr. Reagan. Furthermore, the decline has been more marked at the short end of the market where the fluctuations were wildest. Long-term rates have not moved much and they tend to be far more reliable indicators of the underlying mood.



What can be said, though, is that there are signs of a return to a positive yield curve, which is obviously a good thing.

But the long-term outlook defies firm prediction.

Whatever happens to the Budget, the Federal Reserve Board has made no bones about its intention to maintain a tight hold on credit this year in its battle to master inflation. The money supply growth targets for 1981 have been ratcheted down a notch from last year's (which were, to all intents and purposes, met, though more by luck than skill). Mr. Paul Volcker, the chairman, admitted that these were restrictive and could squeeze the growth of nominal Gross National Product if inflation persists at too high a level, but he argued that this was the price the country must pay.

The stern note sounded by Mr. Volcker has caused some nervousness at the short end of the market because it implies that the Fed will intervene if things do not go its way. But this firmness could also add strength to the longer end as the Fed's credibility in the battle against inflation improves.

The market will be shaped, of course, by the strength of credit demand.

A lot of publicity was accorded to the annual forecasts of prominent market analysts like Dr. Henry Kaufman, the chief economist at Salomon Brothers, who predicted record credit demand this year and record interest rates. But though others share his gloomy view, there are plenty of differing opinions. Morgan Guaranty, for instance, predicted a moderate rise of only about 10 per cent in credit demand, largely because the bank expects economic activity to be sluggish this year.

With Government borrowing needs readily calculable (about $130bn this year all told, including off-Budget agencies), the biggest discrepancies in the forecasts concern the likely extent of corporate borrowing.

This is hardly surprising since the private business sector can usually time its borrowing to suit itself, whereas the Government borrows mechanically. The volume of business borrowing this year will depend mainly on whether corporate treasurers find that by putting off their borrowing they have backed themselves into a corner where they have to go to the market willy-nilly.

Overhang

Predictably, there was a rush to borrow earlier this month as rates came down, with volume running at over $1bn a week. With the corporate sector now badly in need of an infusion of long-term funds, this demand is likely to overhang the market for some time, possibly limiting the amount by which long-term rates can go down. This month's rush also showed that the corporate sector has already got used to the idea of borrowing at 14-15 per cent, a rate that would have made financial vice-presidents blanch a year or two ago.

Marked shifts in borrowing patterns and techniques are also evolving. The controversial trend of "Europeanisation" is producing new types of instrument—usually with some flexibility provision—which may seem ordinary to the Euromarkets but are strange to Wall Street. Bonds with warrants, floating rate notes and other novelties are proliferating as underwriters seek new ways to lure investors and keep borrowing costs down.

The pattern of corporate borrowing is also changing. American Telephone and Telegraph, traditionally the largest corporate figure in the bond market, may ease up in the period ahead thanks to a new regulation which permits it to generate more capital internally. On the other hand there are growing indications that the oil companies may become heavier borrowers. Though currently cash-rich, thy all have such huge capital investment programmes underway that they have hinted they would consider taking advantage of any sharp drop in interest rates to replenish themselves. Other seldom-seen names like General Motors may also pop up for funds to finance their massive retooling programmes.

Mainspring of activity on new issue front

Eurodollar bonds

FRANCIS GHILES

THE VOLUME of new dollar Eurobonds arranged during the first two months of 1981 marks a ten-fold increase over the corresponding period last year. This increase helps explain why figures for new issue activity in the international bonds markets in January and February were slightly ahead of last year's for the corresponding period—$6.1bn instead of $5.9bn.

At the same time the volume of new D-Mark foreign and Eurobonds collapsed as new issue activity slowed to a trickle and the issuing of foreign bonds in the New York market shrank from $614m to $40m.

According to Morgan Guaranty figures, last year provided a record volume of new international bond issues ($41.9bn) and a record figure for new Eurobond issues ($24bn). Such figures are on the face of it encouraging, at least as far as dollar-denominated bonds are concerned. However, they are far from telling the whole truth and nothing but the truth. Indeed, the upheavals in interest rate levels the markets have been through over the past year are greater than at any time since the market started in the 1960s, and while matters are a little more settled for the time being, U.S. and other short-term interest rates remain both at historically high levels and very volatile.

Figures of new issuing activity in the dollar sector look good on the face of it but a number of factors conspire to make many market participants rather less optimistic. First, high and volatile U.S. interest rates still produce violent spasms. These come in the form of many new issues being announced as soon as short-term U.S. interest rates weaken. As many of the deals are "bought"—that is, the terms of the bonds are fixed ahead of the offering period and cannot be altered even if market conditions changed and the bonds do not sell well—it only takes one or two tightly priced issues and a deterioration in market conditions to produce a rather chaotic situation.

New issue "windows," as they have come to be called, thus often result in a quick and serious bout of indigestion. Last month produced a classic example of such a phenomenon. Bankers were relieved, however, to see some issues being pulled out.

This may involve loss of face for the lead manager, but it does at least ensure that he is not left with many unsold bonds on his books. This phenomenon of "bought" deals is not a new one and realistically used provides a useful tool in volatile markets. But considering that the yield curve has been inverted for 14 of the past 18 months, observers believe that some heavy losses have been incurred by managers unable to sell quickly the bonds they had underwritten. They also point to the sharp contraction in the number of banks willing to underwrite bonds in 1980-81.

High figures of new issue activity in the dollar sector do not thus provide a very sure guide as to the market's real health. These factors have combined to push most investors to the sidelines.

Figures suggesting a high level of activity are also misleading in another sense. About a third of all new issues since early 1980 are accounted for by Floating Rate Notes, many of which are disguised bank credits. They tend to find their way straight into bank portfolios and are thus not traded as securities.

One corner of the dollar market is certainly in decline. Only three foreign bond offerings were arranged in New York for foreign borrowers, and it looks as though the volume of foreign and Yankee bonds is set to stay low.

Behaviour

Volatility in the dollar bond markets is not simply the result of high and erratic interest rates. Investor behaviour has changed from the days when small investors made up the bulk of buying and sat on bonds until they matured. The larger funds, which now play a predominant role, are much keener followers of all markets, often swapping in and out of one sector or currency for the sake of a 10 or 20 basis points gain in yield. Swapping between Eurobond and U.S. Treasury bond markets is sometimes alluded to, but such movements only account for the most visible tip of what has, according to many dealers, become a real iceberg.

Currency considerations still play a crucial role. The D-Mark and to a lesser extent the Swiss franc sector may have had a difficult start to the year but the French franc sector has been doing very well. Encouraged by a firmer franc, relatively high interest rates and a good mix of borrower names, investors have flocked in.

A record volume of new bonds was floated during the first two months of the year, more than FFr 2bn. Investors now come from a much broader spectrum than when the market was reopened late in 1978. Arab investors in particular have shown interest, and not just in State-guaranteed paper.

One of the most attractive markets for borrowers recently has been the yen sector. Currently, a first-class borrower would expect to pay interest of around 8.6 per cent and with Japanese interest rates due to fall shortly by around ½ point this sector has attracted a long list of prospective borrowers.

The amount of new foreign bonds—Samurai issues—in the first two months of 1981 has increased by almost 50 per cent over the corresponding period of 1980.

The Japanese Ministry of Finance recently published new guidelines for the issue of Samurai bonds. Two issues will be allowed each month for a total of up to Y40bn, or Y50bn if the World Bank makes an issue. Only top-quality borrowers or those which have tapped the market previously will be allowed to arrange issues.

Meanwhile, the Euro-yen market is still in its infancy. Only ten issues totalling Y142bn have been launched since the market opened in 1977—outstanding Samurai bonds add up to Y2,800bn—of which Y75bn were issued in the past 12 months.

Turning to borrowers, the outstanding feature remains the large increase in the volume of Eurobonds arranged for U.S. companies. Last year it increased by 40 per cent to $4.1bn and in January and February this year such borrowers accounted for 23.7 per cent of all new Eurobond issues.

The U.S. and Japan remain the two largest country borrowers, with France running a close third. French borrowers have more than doubled their shopping list in January and February compared with the corresponding period last year, while New Zealand, which borrowed no funds in the bond market early last year, has already raised $500m.

Market pales to a shadow

D-Mark bonds

JOHN MAKINSON

THE D-MARK Eurobond market looks a shadow of its former self. Three years ago it was matching the dollar as the primary vehicle of the Eurobond issue market. Yields for top borrowers were under 6 per cent and investors were content in the assumption that the D-Mark would continue to rise and rise on the foreign exchanges.

This picture has been rudely shattered by the precipitous decline of the D-Mark and the steep upward spiral of German interest rates. Investors are having to contend with a currency which declined by 6.6 per cent against the dollar in December and January alone. At the same time borrowers are confronted with the prospect of paying double figure coupons on their bonds. The 10¼ per cent coupon paid by the European Investment Bank recently represents a record for the sector.

At the heart of the problem lies West Germany's current account deficit which, at DM 28bn, was the largest in the world last year. This massive shortfall has placed intensive pressure on the D-Mark and the German authorities have been obliged to drive up interest rates in order to attract foreign capital and defend the currency.

Simultaneously the Bundesbank (central bank) has attempted to narrow the deficit by discouraging commercial banks from lending D-Marks on the Eurobond market. This strategy was formalised in November of last year when the central bank entered into an agreement with Germany's commercial banks imposing a loose moratorium on new D-Mark foreign bond issues.

Imperative

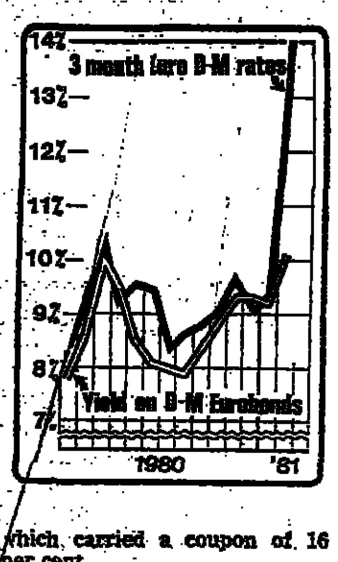
Some exception was made for supranational borrowers, for whom regular access to the major capital markets is imperative, and the moratorium was quietly disregarded in late November when Westdeutsche Landesbank was permitted to launch a DM 100m issue for the Swedish Export Credit Corp.

Since then, however, the moratorium has held together and the issue of foreign D-Mark bonds has slowed to a trickle. By early this month the pressure on the D-Mark had eased following a change in credit policies by the Bundesbank which pushed short-term deposit rates well into double figures. From April 1 banks will be able to step up term lending to non-residents because of the expiry of a separate "gentleman's agreement" reached between the Bundesbank and commercial banks last December.

Yet taking the wraps off the market is unlikely to produce a flood of new borrowing. A back-log of potential borrowers has certainly accumulated but they will need to pay dearly for the privilege of borrowing marks. The Bundesbank saw in January the consequences of an eight pecrentage point gap between D-Mark and dollar deposits as the D-Mark slithered down in the exchanges. By the middle of this month it had narrowed the gap to around 2½ points and will need to keep it in this range if the D-Mark is to hold up.

The Bundesbank's principal concern has been to tighten the money market and the initial effect of its new monetary strategy was to steepen the reverse yield curve. Even so, long bond yields have crept into double figures and the Bundesbank has acted to support these levels by heavy bond sales on the German stock markets.

The central bank is aware that the Government must meet a borrowing requirement of around DM 30bn this year. Scheduled redemptions are heavy on the domestic market but German investors have been tempted to place repayments on the high-yielding deposit market rather than back into bonds. Equally, they have been chasing the high returns on dollar paper and were particularly heavy retail buyers of this year's issue from Ford Credit Overseas,



which carried a coupon of 16 per cent.

The Bundesbank must therefore ensure that returns on domestic D-Mark bonds are competitive with deposit rates and yields on dollar bonds if the borrowing requirement is to be met. And switching will ensure that Eurobond yields will move roughly in line with those on the domestic market.

The absolute level of interest rates will clearly depend to a great extent on the movement of U.S. rates, but no matter which Wall Street guru proves correct 1981 is unlikely to be a bonanza year for the Euro-D-Mark bond market. Foreign interest in the market has

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Significant change in sentiment

Syndicated Credits

PETER MONTAGNON

THE SYNDICATED credit market at the start of 1981 presents a markedly different picture from that prevailing in early 1980. Not only is volume noticeably higher—in the first two months of the year new credits amounted to $12.9bn compared with $7.1bn in the corresponding 1980 period—but there has also been a significant change in underlying market sentiment.

At the beginning of last year there was much talk of higher spreads in what turned out to be clearly a borrowers' market; now there is less concerted effort to "talk spreads higher" but it has become harder and harder in practice for borrowers to push through credits on ever dwindling margins.

It was always inevitable that the cyclical decline in spreads would eventually come to an end. That it should have happened at the start of 1981 is perhaps hardly surprising.

At the start of last year many banks still had a sizeable volume of older credits on their books that had been contracted at a time when margins were much higher. More and more of these credits have now been run off or refinanced with the result that most, if not all, Euromarket banks suffered a sharp decline in the overall average margin on their syndicated loan portfolio last year.

Some banks also have to contend with a new regulatory environment involving revised capital ratios on consolidated balance sheets that will compel them to seek higher returns.

The appetite for low margin deals of the type offered by the best-rated borrowers who can command spreads between ⅜ and ½ per cent above Libor has thus considerably waned. Significantly this has been especially true of the smaller banks, which participate in the market at the so-called retail level with relatively small amounts from which they derive only a small amount of fee income.

Reconstruction

Concern about the lack of retail interest was most conspicuous in the case of the recent Italian earthquake reconstruction credit. The amount was originally set at $2bn and lead manager Bankers Trust attempted to assemble an underwriting group of 30 banks willing to underwrite $66.5m apiece.

But it failed, principally because large banks which might have been expected to join the group were worried about their ability to sell the credit to smaller participants at a split margin of ⅝-¾ per cent over Libor or ⅜-½ per cent over the U.S. prime rate. In the end there was no alternative but to cut the loan in half.

Even the more successful credits of early 1981 have involved borrowers in unusually aggressive tactics. Spain's Ministry of Finance had to resort to some considerable arm-twisting to assemble a group of banks willing to underwrite a $500m credit in January, while Sweden's first jumbo credit of the year was carefully structured to include an attractive tranche denominated in Special Drawing Rights (SDRs), the currency unit of the International Monetary Fund.

This was the first credit ever denominated in SDRs and it was launched at a time when international banks had been piling up very large deposits in the unit. They were very anxious to book assets in SDRs directly without breaking the unit down into its component parts in complicated foreign exchange market operations. Sweden gave them a welcome opportunity to do so, but only on condition that they also agreed to lend under the less attractive dollar tranche of the loan.

Elsewhere it has become increasingly common for borrowers to offer banks the opportunity to lend at a margin above U.S. prime rate. This gives those with access to domestic dollars in the U.S. a built-in yield advantage as their cost of funds is substantially below prime and it is therefore one means of paring the nominal margins to the bone.

Within this tactic appears to lie the very nub of what is now going on in the Eurocredit markets. Faced with a loss of interest in traditional syndicated credit business at low margins, banks and borrowers are being forced to combine to seek out ways of raising the return for the lenders without submitting borrowers to the loss of prestige involved in actually raising margins.

Advantage

Prime-based credits offer one means of doing this. They have the added advantage of allowing borrowers to seek new sources of funds — from U.S. regional banks that do not normally engage in Euromarket transactions.

Some borrowers have taken the quest for new sources of finance a step further. Rather than float a syndicated credit last November New Zealand chose to bring to the market a $500m deal under which banks were asked simply to underwrite short-term notes bearing interest at Libor that would be sold to corporate treasurers, central banks and the treasury departments of banks, none of which are investors that normally participate in medium term sovereign lending.

Another technique which has been growing in popularity is the unpublicised bi-lateral credit by which the costs of syndication are avoided and the lending bank can cement a relationship with a particularly cherished borrower. Margins on this type of transaction are frequently below the market level for conventional syndicated credits.

How long recourse to devices such as these will stem pressure for an upward movement in spreads remains to be seen. Some bankers have begun to talk about a visible trend emerging by the second half of this year.

Others are still extremely cautious about making any predictions, especially as OPEC countries continue to enjoy a very substantial balance of payments surplus which is boosting the supply of Euromarket funds available to the banks.

But there has already been a discernable upturn in margins on lending to developing countries. OECD figures show that margins on such business rose to an average 1.04 per cent in October and November last year from only 0.82 per cent in the third quarter.

Within this group the number of countries—such as Argentina and the Philippines—which face higher margins because of special economic reasons seems to be growing and this in turn is leading to indications of a welcome improvement in market differentiation between the varying types of risk that until recently had been forgotten in the general scramble for better terms.

Pales to a shadow

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recently revived but the Bundesbank is too conscious of the current account position to allow a flood of issues on the scale of 1978. The banks themselves have been chastened by losses on dollar and D-Mark portfolios, and will not want to run the risk of taking on board unwanted paper if underwriters wax less than lyrical about an issue.

Last year the German banks launched foreign D-Mark bonds totalling almost DM 15bn, according to Bundesbank figures. This represented an increase on the previous year but was below the 1978 level, even in nominal terms. Not surprisingly the calendar was heaviest when D-Mark rates were around their lowest levels, in January and July.

The balance of payments affect was probably not too severe, however, since redemptions amounted to a record DM 5.9bn, according to the Bundesbank, and interest payments on the DM 80bn of outstanding paper probably amounted to DM 6bn or so. The precise effect is hard to gauge as it is far from clear how much paper is retained in Germany.

Life may be fairly quiet in the D-Mark sector but at least it has avoided the worst excesses of the dollar market. The practice of "bought deals," on which many London managers have incurred losses over the past year, has scarcely taken root in Frankfurt, in part because the market is more tightly controlled by a few banks.

Similarly, West Germany's "*Waehrungsgesetz*" or currency law, effectively limits the banks' scope for introducing exotic bonds which are indexed to a moving rate. The convertible bond has, however, proved a common and successful form of D-Mark financing.

OPEC countries in particular, have been attracted by convertible issues for Japanese corporate borrowers. The convertible vehicle has allowed them to diversify their currency portfolios as well as to invest in the Japanese equity market. One issue, for Mitsubishi Heavy Industries, was doubled to DM 200m in late November as a result of heavy demand.

Elsewhere the market has become more selective in its approach and higher-risk borrowers are having to pay an increasingly heavy premium for acceptance. According to Bundesbank figures, bonds for developing countries were yielding over a point more than bonds for industrial countries last year. In 1979 the premium was only 0.6 per cent.

Marked increase in the cost of borrowing

Swiss franc bonds

JOHN WICKS

THE SWISS capital market is experiencing what could prove to be the greatest surge in interest rates since 1974. Developments on the Euromarket and a constant round of upward adjustments in domestic interest levels have led to a marked increase in the cost of borrowing Swiss francs, via both long-term bonds and medium-term private placements.

Despite this the volume of foreign borrowing remains high. Interest rates are still well below the international norm for those raising longer term funds, while the Swiss franc itself carries much less of a foreign exchange risk than formerly.

In 1980, in fact, the net issue value of Swiss franc bonds by non-resident borrowers reached a new record of SwFr 5.42bn ($2.81bn). This resulted from an increase in the gross value of offerings to SwFr 5.48bn ($2.84bn), itself an all-time high, and a simultaneous sharp decline in refinancing transactions to only SwFr 60m ($31m) of the total.

The year was notable for a sharp increase in bond issues by Austrian borrowers, which jumped in nominal value from SwFr 565m ($292.7m) to SwFr 1.02bn ($528.5m) — or nearly one-fifth of the overall total — as well as a suddent emergence of Japanese addresses. In 1979 there had been only two Japanese issues of Swiss franc bonds, totalling SwFr 200m ($103.6m); last year there were eight, with a combined value of SwFr 705m ($365.3m).

Other major borrowers on a long-term basis were public authorities and companies in France, the Netherlands and Scandinavia, as well as holding companies in Curacao in the Dutch-Antilles and international development organisations. American, British and German borrowers were represented only via foreign holding companies.

Refinancing

In the private placement sector, last year saw a decline in the volume of new issues to their lowest level since 1975—though to what was still the substantial figure of SwFr 8.4bn ($4.35bn). At the same time, refinancing transactions dropped sharply to SwFr 935m ($484.4m) of the total—against SwFr 1.66bn in 1979 and no less than SwFr 2.16bn the previous year—so the actual new money raised by medium-term notes does bear comparison with recent years.

FOREIGN BOND AND NOTE BORROWINGS

(SwFr m)

	Long-term bonds		Medium-term notes (private placements)	
	Total	Of which re-financing	Total	Of which re-financing
1975	2,490.1	135.0	7,161.6	—
1976	3,510.0	90.0	10,483.4	479.1
1977	3,684.0	—	9,318.5	725.0
1978	4,430.3	80.0	8,996.4	2,168.0
1979	5,205.8	438.0	10,344.9	1,665.9
1980	5,485.7	60.0	8,398.0	935.6

Last year coupons remained more or less stable. Average rates for straight bonds increased from 5.67 per cent in the first two months to little over 5.9 per cent in the two. The going rate actually showed something of a drop after an upturn last spring. By the end of the year coupons were at or about 6 per cent.

Early this year, however, both the primary and the secondary market for foreign Swiss franc bonds began to flag. After several issues had been undersubscribed, interest rates started to climb. At the beginning of January coupons were in the 5½-5¾ per cent bracket, a month later between 6 and 6½ per cent. The first March issue, a 10-year offering of SwFr 50m by the Austrian power company Steweag, carried a 6¾ per cent tag and was priced at 100½.

Private placements have also been equipped with more attractive rates, the City of Montreal and the Austrian industrial concern Voest both having recently chosen a 7 per cent coupon for five-year notes at par.

The secondary market has honoured borrowers' efforts to bring coupons more in line with reality. Bonds issued at 6½ per cent in February were being traded at about par in early March—while the January bonds at 5½-5¾ per cent had dropped to little more than 90.

The indications are that foreign borrowings will become dearer still before they begin to level out. Unless there is a definite slowdown in Euro-rates, long-term bonds could well go up to 7 per cent or even more, particularly in the case of less well-known borrowers. Private placement coupons seem likely to rise to perceptibly above the 7 per cent mark for what are of course much shorter maturities.

With few exceptions borrowers on the long-term market have long settled into 10-year maturities, after having wavered between nine and 12 years until early 1980. Under present conditions there is little chance of a return to the 15-year bonds which were still being offered in the first months of 1979.

Adjustments are today more common in the actual coupon. Apart from the marked rise in interest levels this year so far, borrowers have been trying for finer tuning by fixing issue prices at 99 to 100½ and also making increasing use of odd eighths in the coupons.

Like Switzerland's domestic bond market, the foreign sector has also been paying greater attention to new formulas in borrowing procedure. Recent examples have been the SwFr 100m issue last December by the French Caisse Centrale de Coopération Economique, maturing between 1982 and 2000 and with a variable coupon of 4 to 8 per cent, or the floating rate bonds issued by the Costa Rican central bank and the Spanish motorway company Avasa at minimum coupons of 7 and 6½ per cent respectively.

Convertible bonds will doubtless remain a rare occurrence on the foreign Swiss franc bond market. Last year there were only three — issued by the Japanese companies Sanyo Electric and Mitsubishi Chemical and the Curacao-based Tyco International Finance.

But throughout 1980 convertible issues, particularly those by Japanese companies, made up a large share of the new issue volume in private placements.

Dropped

Whatever the further development of the Swiss capital market during 1981, one fear has been virtually removed. A committee of the States Council, Switzerland's Senate, rejected a recommendation in January which had foreshadowed imposition of the 35 per cent withholding tax on interest earnings by domestic holders of foreign Swiss franc bonds. Neither Parliament nor the National Bank approved of the idea anyway, and it has obviously been dropped for good. Since Swiss residents buy what is believed to be about half of all these bonds, any such move could have had noticeable effects on this form of borrowing.

London trading will follow lead set by Chicago

Financial Futures

DAVID MARSH

INVESTORS IN fast-moving international currency and interest rate markets have hardly been able to ignore the rapid growth of financial futures trading.

Financial futures allow investors to take out forward cover to minimise risks on volatile foreign exchange and credit markets. Trading can be highly speculative, but it can also introduce genuine opportunities for savings and increased efficiency by almost any company or institutions exposed by the vicissitudes of international finance.

It can make all the difference between profit and loss for banks and brokers involved in bond trading when prices have fluctuated as much as they have recently.

The futures sector was pioneered by the International Money Market (IMM) division of the Chicago Mercantile Exchange, which started trading in currencies in 1972, followed by Treasury bills in 1976. Financial futures trading is also well established at the Chicago Board of Trade, and also takes place in New York, Toronto and Sydney.

The scope of the international market will be widened when trading starts up in London, probably early next year, under a plan put forward by a group of City institutions which was endorsed by the Bank of England at the end of February.

Under a financial futures contract a market participant agrees to buy or sell a standard quantity of a set type of financial instrument or currency at a *pre-determined* date in the future. The full price of the contract is not paid until it matures, since the market runs on a system of margins.

The profit or loss accrues from the difference between the market price of the contract when it matures and the price which the participant originally agrees.

This difference depends on the movement of interest rates and currencies during that period. At a time, like the present, of great instability on world money markets, the main benefit of futures trading is that it gives banks, corporate treasurers and institutions of all kinds the chance to hedge against the *risk of* suffering from such fluctuations.

The IMM offers interest rate contracts in 90-day, one-year and four-year Treasury bills. On the foreign exchange side the U.S. dollar is traded against sterling, the Canadian dollar, *D-Mark, Dutch guilder, French* franc, Japanese yen, Mexican peso and Swiss franc.

Operators on the IMM also combine interest rate dealing with futures trading in gold, where movements are heavily linked to changes in interest rates.

Constraint

Competition for Chicago surfaced last autumn with the start-up of financial futures trading in New York, organised by the New York Stock Exchange (NYSE).

Some financial futures are also traded on the small American Commodities Exchange, an affiliate of the American Stock Exchange.

NYSE trading has so far failed to take off. Its share of the total market is paltry. Failure to attract sufficient liquidity is a severe constraint on the market's efficiency. The price on an exchange seat—the barometer of the health of the exchange—has fallen dramatically from a peak of $40,000 last October to only $15,000 at the end of February.

Financial futures have been operating in Sydney since October 1979, with a contract in bank-accepted bills. In Toronto trading started last September with contracts in 91-day Treasury bills and long-term Government bonds.

The next landmark will be the opening of dealings in London. A lot of work remains to be done by the financial futures working party and the Bank of England on working out the market's structure. The question of premises has still not yet been resolved. But the plan is for trading to start by the beginning of 1982.

Trading volume is likely to be more than around £500m a day in the initial stages, around one-tenth of the Chicago volume. But already the City proposal is attracting attention from the Continent. The start-up of the new market—along with the gold futures market also likely to open soon—is seen by rival European financial centres as another important string to London's bow.

The London working party, headed by Mr. John Barkshire, chairman of money brokers Mercantile House Holdings, is particularly proud of the planned innovation of a contract in Eurodollar certificates of deposit.

Eurodollar interest rate futures are not yet traded anywhere in the world, and will be of obvious benefit to traders, borrowers and investors, wishing to hedge positions in the dollar deposit markets and in Eurobonds.

It is by no means certain, however, whether London will be first with Eurodollar trading: the New York Exchange also aims to add a contract in Eurodollars by mid-summer. Both Chicago markets have also applied for permission to introduce Eurodollar contracts.

The London market will also feature contracts in sterling CDS and yen, D-mark, sterling and swiss francs against the dollar. The most interesting contract—for which the Bank of England has given the green light—will be trading in long-term government bonds, for which lively demand is forecast from both domestic and international investors.

As an example of how bond traders can benefit from financial futures to hedge risks in volatile conditions, Mr. John Sandner, chairman of the Chicago Mercantile Exchange, cites the loss of $12m by some of the managers of the $1bn bond issue made by the American computer giant IBM.

The loss was caused by a sharp drop in bond prices just after the management group had taken responsibility for the issue. Speaking at a London conference last year Mr. Sandner described how one firm in the syndicate had taken out cover by selling forward in the interest rate market and had benefited from the insurance. The other members, however, had suffered losses by failing to make the forward hedge.

Expensive

Another instance related to the Eurodollar market would be where a bank finds it difficult or expensive to raise credits for, say, six months to fund a six-month roll-over of a commercial Euromarket loan. The bank can, however, raise funds for three months at an appropriate rate, with the intention of raising a further portion of three-month funds in another three months time.

To hedge against any rise in the three-month rate pending the second instalment, the bank can sell Eurodollar CDs three months forward. If the Eurodollar rate rises in the meantime the price of the three-month contract will fall. This will enable the bank to buy back a matching contract in three months time at a lower price than the one at which the original contract was sold. This produces a profit which will compensate for the additional interest cost of raising the new portion of three-month money.

Similarly, a bank can make "long" hedges when it believes interest rates will fall but when funds to deposit will be arriving only later on. The bank manager can buy a forward interest rate contract, calculating that as interest rates drop its price will rise above that which he agrees to pay.

The contract can then be sold for a profit when it matures, earning cash which the manager would otherwise have had to *forgo for lack of funds to make* the outright investment.

High-flying issues fall to earth

Convertible bonds

JOHN MAKINSON

CONVERTIBLE BONDS were the darlings of the markets for most of last year. Stock markets were shrugging off the recession with one of their best performances for years, while bondholders sat counting their losses as interest rates spiralled upwards.

For investors the convertible offered a higher initial rate of yield than would have been available on the equity without the capital losses with which the straight bond market had become associated. For borrowers the money was cheaper than straight bonds and, with conversion set at a premium to the ruling market price, the bonds looked preferable to a rights issue.

So throughout 1980 investors were deluged with convertible issues, most of them denominated in dollars and for small individual amounts. Swiss investors were ready buyers of dollar issues for U.S. companies while Japanese corporate names were snapped up by certain OPEC countries.

In late November, for example, there were nine convertible issues for U.S. and Japanese corporate names on the market. By mid-December, however, the mixture had turned sour. A $30m offering for Crutcher Resources opened at a 10 point discount in the market and another $20m issue for Xidex International Finance dropped to a discount of five points.

Cancellation

The most *dramatic sign of the* changed climate was the cancellation of a $50m issue for Canada's Newmont Mining, a fairly well known name, after allotments had been made. Since then the convertibles market has looked a much more *sedate* affair.

The reversal in the market's fortunes arose in part from a change in the mood of the stock market. The bulk of the convertibles had been for energy companies like Crutcher, or high-technology ventures such as Xidex. Both these sectors had been booming as stock market investors shifted their emphasis from income to capital appreciation. By December, however, the market had overheated and these high-flying companies took a tumble on Wall Street.

Since convertibles are only attractive so long as the underlying equity moves up towards its conversion price, many investors began to get cold feet. Some also realised that they had been buying issues without a sufficient understanding of the companies themselves. U.S. corporations had been raising money with little more to offer than a space-age name or drilling prospects in Louisiana.

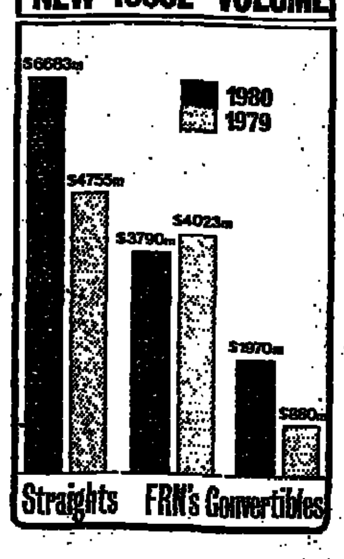
Underlying

Even the convertibles for better known companies had failed to produce the expected gains. In general, share prices had moved ahead faster than the value of the bonds, with the result that investors would have been better served by buying the underlying equity. Canon, for example, issued a 6¾ per cent convertible and its share price subsequently spurted from Y800 to Y850 (£1.75-£1.86). The bonds, however, held fairly steady at around 110.

Some critics of the market had also uncharitably suggested that by floating a convertible the borrower might reckon that its share price was close to a *peak. The collapse in the equity* prices of energy and high-technology companies led some credence to this view.

Undoubtedly the market had become carried away with convertibles. By overloading investors with the vehicle, bond managers helped to precipitate the problems that followed.

NEW ISSUE VOLUME



Excess liquidity prompts technical rally

Certificates of Deposit

DUNCAN CAMPBELL-SMITH

THE IRANIAN assets crisis threatened in January to deprive some U.S. banks in the Euromarket of sizeable deposits and obliged them to cover the liability side of their balance sheets in advance against any caprice by the mullahs. They did so in part by borrowing substitute funds through the issue of a broad maturity range of dollar certificates of deposit (CDs).

It is a moot point whether the Iranians ever really had an option—or indeed any desire—to take their billions of dollars of deposits away from the Euromarket. In the event, having recouped their assets, they were anyway obliging enough promptly to redeposit them in the same place (minus, that is, a little adjustment for some debt repayments).

Boost

The result was a sudden excess of liquidity, falling rates on interbank funds and a sharp boost for the Eurodollar CD market where yields fell accordingly.

The consequent technical rally punctured a seven-month bear market that since April, 1980, had held back any growth in the volume of outstanding paper—which hitherto had grown almost continuously since 1966 and quite dramatically since 1978. In January the aggregate volume in the London market, having marked time at around $49bn, jumped again and reached $53.3bn. Dealers reported in February some of the heaviest trading they had yet seen in the market.

A year which started well looks set to bring important changes for the Eurodollar CD market. Many participants believe that it stands now on the threshold of another major expansion.

For a start, the established dominance of U.S. trading houses in the market now promises to lead to a growing list of American regional banks as primary issuers. The role of international CDs as an additional source of dollar funding has been widely canvassed in the U.S. in recent months. At the same time, as one trader put it, "the larger dealing houses in London are becoming much more aware each week of the demand from American purchasers for U.S. regional bank paper."

The importance of this lies in the fact that U.S. purchasers dominate the Eurodollar CD market no less than the New York trading houses and their London branches. On any one day it is estimated that as much as 80 per cent of the outstanding paper in the market is held in the U.S., in part in dealer inventories and the banking community itself—the "institutional" market—but mostly with end-investors who include the huge New York money market funds as well as a large number of corporate treasuries — the "retail" market.

On the supply side, too, the market already has a heavy U.S. bias, which the arrival of more regional banks is only underlining. The first tier of issuers comprises Manufacturers Hanover Trust, Citibank, Bank of America and Morgan Guaranty, while the remaining half dozen of the top 10 New York money centre banks are also able generally to command slightly finer rates than the U.K. clearers and, beyond them, the Canadian, Japanese and other regular issuers.

The strongly transatlantic flavour of what is nominally a Euromarket has much to do with the domestic reserve requirements imposed on U.S. banks. So long as the proceeds are used by their London branches to fund Euromarket lending activities and are not lent back into the U.S., Eurodollar CDs do not carry any reserve requirements and offer the U.S. banks cheaper funds than are available from the domestic New York CD market.

Maturity

This is true despite the fact that the Eurodollar market trades at a slight premium over the far larger domestic market. Thus early in March 6-month Eurodollar CDs were trading at one point at an annual yield of 16.30 per cent on the bid side. The same maturity in New York simultaneously carried a 15.80 per cent yield. But an issuer's real cost of borrowing in New York, assuming a 3¾ per cent reserve requirement, was actually not 15.80 per cent but rather 16.37 per cent — seven basis points more expensive than the unencumbered Euromarket rate.

To some extent the premium of Eurodollar CD yields over New York reflects the very sophisticated nature of the London market. Eurodollar CDs issued there by U.S. banks technically carry the credit risk of the London branch rather than the parent bank. The market demands a premium for this, just as it does in the case of CDs traded in London but issued elsewhere—the so-called "non-London CDs" allowed into the London market by the Bank of England only since February 1980. (A premium, incidentally, which helps explain why non-London CDs — issued, for example, by the market's top credits but from Jersey—have not become an important part of the market).

But the premium also springs from certain mechanical aspects of the London market—and not least from its settlements procedure. Today perhaps 90 per cent of Eurodollar CD transactions are settled through New York's Clearing House Interbank Payments Systems (CHIPS). CHIPS deals in clearing house funds, which require a two-day settlement basis, whereas the domestic U.S. CD market is settled on a "same day" basis. Selling a Eurodollar CD in exchange for a domestic CD involves an additional expense —a Federal reserve, yet again— for the domestic party to the deal. The implied constraint on the Euromarket's liquidity is an important reason for the premium.

On October 1 next, CHIPS is to switch to the "same day" settlements procedure used in the domestic market. Many traders believe that this will release a flood of arbitrage operations between the Eurodollar and domestic markets— all but removing the premium and completing the evolution of the Eurodollar CD into a fully integrated global instrument.

Other recent innovations in the Euromarket now seem less important. But they do include half a dozen issues offered from Luxembourg since last July—a development rather subdued by volatile dollar rates in the meantime—and the appearance since January of the first Special Drawing Rights (SDR-denominated CDs). The latter should grow steadily in importance if the major banks are encouraged by the International Monetary Fund and central bank attitudes to continue accumulating SDR assets though it will take time, and a proper SDR deposit market, to resolve fully the problems which SDR CDs can pose for the trading market.

Tight regime proves a blessing

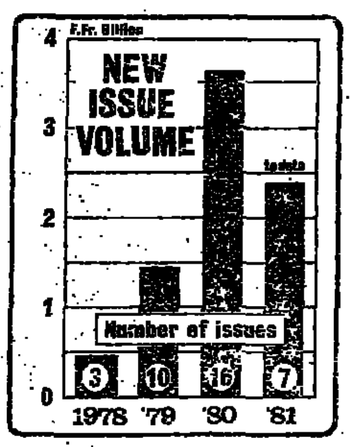
French franc bonds

FRANCIS GHILES

SEVEN French franc Eurobond issues have been arranged so far this year, amounting to a grand total of FFr 2.39bn ($483m). This figure compares very favourably with the total volume of new issues arranged last year ($785m equivalent) and the year before ($361m). Indeed, since the French Treasury allowed this sector to reopen 2½ years ago, the flow of new issues has doubled every year. It shows no sign of weakening today.

No serious doubts have arisen so far about the continued strength of the French currency and no real worries expressed about the outcome of the French Presidential election which will take place in a few weeks' time. Investors are assuming the French electorate will give M. Giscard d'Estaing a second seven-year mandate and that the policy advocated by M. Raymond Barre, who has been Prime Minister since 1976, will continue in force.

The tight money and strong currency regime which has been the hallmark of M. Barre's stewardship and which is designed to keep the country's imported energy bill within reasonable bounds has certainly been a blessing for French banks so far as the French franc sector of the Eurobond market is concerned.



French franc bonds were initially helped by higher coupons offered to investors than was the case in Deutsche Mark and Swiss franc bonds. Investors were essentially Benelux-based, with some interest being shown by French resident accounts abroad, especially in Switzerland.

The French Treasury ensures a good mix of borrowers, as between the private and public sector, whether French or foreign. Throughout the past 2½ years Credit Commercial de France has been the most active manager, bringing issues worth FFr 2.48bn to the market. Other banks, however, notably Societ Generale and BNP, have been very active.

This sector now boasts a mix of fixed interest, FRN and convertible issues, although only two of the latter have been arranged, and both, for different reasons, had a difficult time in the primary market. The convertible for La Redoute last December came at a time of surging U.S. dollar interest rates, while the issue for Lafarge Coppee earlier this year offered very tight terms to the investors. The initial amount on offer had to be cut.

The interest in French franc bonds has widened considerably. The most noted group of recent investors are some Middle East institutions. Until recently they have limited their buying to sovereign-guaranteed paper but this year they have proved more adventurous. Middle East banks often act as managers and will sometimes take a chunk of a new issue in preplacement form. This interest has been spurred not only by the stability of the French franc but also by the desire to diversify their assets.

The Arabs are not alone as they have been joined by London and West Indies-based portfolio managers, the Swiss and, in recent weeks, some German banks. The wheel has indeed come full circle and, the French electorate willing, the French franc sector could continue to prove a prosperous terrain for French banks which alone are allowed by the Treasury in Paris to lead such issues.

Guarded optimism

Bulldog bonds

FRANCIS GHILES

BANKERS IN the City express guarded optimism about the future of the "bulldog" market. The reopening of the UK domestic market for foreign borrowers generated a wave of optimism last summer, which subsequently evaporated as the much anticipated cut in UK interest rates failed to materialise.

Two factors, however, have conspired to brighten the outlook for this new sector in recent weeks. First of all the 2 point cut in the Minimum Lending Rate (MLR) announced in the Budget brought the cost of borrowing in sterling closer to what it is in other European currencies. Meanwhile the rise in interest rates in most Continental currencies, brought about by the surge in U.S. dollar rates, has made borrowing in D-Marks, Swiss francs and Dutch guilders much higher than it was six or nine months ago.

Last summer's initial optimism rested on the assumption that the UK Government's borrowing requirements would fall and that MLR would come down during the autumn. Neither assumption proved to be accurate and until earlier this year when Iceland arranged a small "bulldog" not a single borrower was tempted—though Gaz de France came very close to arranging an issue on two occasions.

The very long maturities available for borrowers of domestic sterling was also presumed to be a great attraction. The first bulldog for Denmark included a 25-year maturity, the second for Iceland a 35-year issue. Long maturities, however, proved of relatively little interest if set against very high coupons. The third issue arranged two weeks ago for Sweden points the market in a more promising direction than hitherto.

Sweden was persuaded to pay the higher issuing costs associated with a full offer for sale. Bonds offered for sale by a foreign borrower qualify for gilt-edged commission rates and this makes dealing in the secondary market cheaper. It also allows for easier switching between gilt-edged stock and such a bond because settlement terms are the same. This should help. How much the bulldog sector prospers in coming months depends more on the level of UK interest rates compared to Continental European currencies than anything else.

Development enters phase of consolidation

Luxembourg

PETER MONTAGNON

LUXEMBOURG IS currently passing through a period of painful consolidation in its development as an international financial centre.

Profits of banks established in the Grand Duchy were hardly changed last year. The number of new banks setting up there has slowed noticeably and so has the growth in banks' total assets.

There are now 112 banks operating in Luxembourg compared with 108 at the end of 1979 and 97 at the end of the previous year. Growth in total assets slowed last year to only 20.4 per cent, a far cry from 1970 when it was 74.8 per cent and well below the 29.6 per cent recorded in 1979.

A closer look at the component elements of the balance sheet reveals the direction the consolidation is taking. The growth of interbank business was much slower than the growth of total balance sheet footings. Deposits by Luxembourg banks with other banks grew by only 11.8 per cent last year to LuxFr 2,033bn whereas in 1979 the deposits had grown by 39.2 per cent. Liabilities to other banks grew 17.5 per cent to LuxFr 2,878bn compared with a growth of 30.2 per cent a year earlier.

This development suggests that the banks were trying to curb the growth of their balance sheets because of their lower profitability. Another area which was attacked was that of fixed interest rate securities, holdings of which were reduced to LuxFr 149bn from LuxFr 160bn a year before.

Write-downs

Losses on this type of investment have hit Luxembourg banks hard as interest rates soared during the past two years. Heavy write-downs have been necessary on these holdings and, according to officials at the Grand Duchy's Banking Commission, the banks last year sold a considerable amount of bonds.

By contrast term lending to non-banks grew by 31.3 per cent to Fr 1,032bn compared with a growth of 19.9 per cent in the previous year.

A large portion of this, *amounting to LuxFr 932bn*, represented term lending in foreign currencies. This figure includes lending in D-Marks to West Germany which was remarkably buoyant last year and on which high spreads ranging up to 1¼ per cent can be obtained from corporate borrowers whose international profile is too low to allow them to tap the euromarkets in any public way.

There was also significant growth in two other types of asset—fiduciary accounts and holdings of unquoted securities such as Certificates of Deposit and *short-term private* placements.

The former grew by LuxFr 12bn to LuxFr 41bn, the latter by LuxFr 74bn to LuxFr 175bn. Both positions point up the banks' increasing interest in managing funds for wealthy private investors.

Bankers frequently point to this type of business as holding the key to Luxembourg's future development. It generates fee income without using up much capital and could help accelerate the development of other forms of banking business which till now have played only a small part in Luxembourg's financial structure.

A case in point is gold trading, which has grown substantially since taxes were imposed on such business by both Switzerland and Germany in recent years. That Luxembourg is serious about its intention to become a gold centre is underlined by the decision to start a daily gold fixing on the stock exchange this month.

There is no doubt that Luxembourg needs to develop to a greater degree a wider range of banking services than that on which it has traditionally relied in the past. This would afford much greater insulation against difficult times in the wholesale Euromarket sector which brought many foreign banks into Luxembourg in the first place.

The local banks which were established in the Grand Duchy before Euromarket business took off in the 1970s are not suffering as much a decline in profits as the foreigners who arrived later. In this context it is also worth noting that Dresdner Bank, which of all the German banks in Luxembourg is probably the best diversified, has shown a much more stable profit development over the past few years than other German banks.

It is perhaps a pity that it took several years of falling profits to convince the banks in Luxembourg that change was inevitable. But the hard times now being experienced in the Euromarket may not be such a bad thing after all if they do lead to the development of a more rounded banking centre.

Turntable

In economic terms Luxembourg does have a function that should endure. It still has a share of 12 per cent in total Euromarket business and over the years has grown to be an important financial turntable sucking in funds from sources where there naturally tends to be a surplus (such as the fiduciary deposits with Swiss banks) and lending them on to places where the real need can be very great.

In this context the Grand Duchy now appears to be playing a very important role in stimulating capital imports into Germany. Bank for International Settlements figures show that Euromarket lending to the non-bank sector in Germany during the first three-quarters of last year was some $12.7bn, nearly as large as the German current account balance of payments deficit. No figures are available for Luxembourg alone but it can be safely assumed that a large part came from banks there.

No one expects 1981 to be an easy year for Luxembourg banks. Interest rates around the world will probably remain high and margins on syndicated lending are unlikely to rise to lucrative levels again.

Moreover, the German banks know that they will have to consolidate their balance sheets from next year—a condition which will almost certainly require them to put up more capital on their Luxembourg business, placing their profitability under even greater strain.

But at least the recognition is there that as one banker put it: "We have reached our cruising altitude. Now we have to set course on consolidation."

LUXEMBOURG'S BANKING SYSTEM

	1977	1978	1979	1980
Number of banks	90	97	108	111
Total assets (Lux Frs bn)	2,115	2,509	3,253	3,917
of which in foreign currency	1,828	2,170	2,820	3,367
Equity funds*	76	95	120	148
Per cent share of Euromarket assets	11.4	10.9	12.4	12.7†
Per cent share of Euromarket liabilities	10.5	10.7	11.4	11.6†

* Share capital, borrowed capital, reserves and provisions.
† Figure at end-September.

Source: Luxembourg Banking Commission.

Increasing presence worldwide

Arab Banks

FRANCIS GHILES

ARAB BANKS are still small by international standards. Not one of them figures among the top 150 and very few are counted among the major lenders in the Euromarkets. On the face of it Arab banks have been slow to seize the initiative.

Lack of knowledge of the working of the international banking system, lack of personnel, lack of assurance—all these factors have combined to limit the impact of Middle Eastern banks since the price of oil rose dramatically in 1973. Yet that impact has still been felt and is growing daily.

The foundation in January, 1980, of Arab Banking Corporation (ABC), which boasts an authorised capital of $1bn, was a clear indication of the way Arab countries were thinking. Last year Gulf International raised its authorised capital by 150 per cent to $270m, while there is talk of doubling the authorised capital of Arlabank to $200m. By the end of last year, Arlabank had already built up a loan portfolio of $700m, Gulf International of $1.1bn. Banks can lend up to 15 times their capital, so the scope for growth is impressive, particularly where ABC is concerned.

Diversify

Arab banks are asserting themselves more strongly today and for this there are a number of reasons. First, the presence of foreign banks in their own countries has made their domestic markets far more competitive. Second, the freezing of Iran assets in the U.S. sent a shudder down the Gulf. While some Arab bankers could understand the reason which had led the U.S. into making such a decision, they also decided that the rather special circumstances invoked by the U.S. Treasury could recur in a different guise. Hence the need to diversify their assets became even more important than before.

A further factor which encouraged diversification was the falling value of the dollar during 1979 and 1980. Shifting assets could take a geographical and a currency form. In the event both means were used and while Latin America and the Far East receive more attention, so did the D-Mark, sterling, the French franc and such metals as gold and silver.

A regular feature of certain foreign D-Mark bonds—at least until that sector virtually closed down for new issues last November—and of many French franc Eurobonds at present is that part of the issue is pre-placed in the Middle East or that one of the managers is an Arab bank, usually one from Kuwait.

This new assertiveness is also taking the form of encouraging the growth of regionally based Arab banks. Thus a bank created a few years ago such as Gulf International managed $8.4bn worth of internationally syndicated loans in 1980 compared with $3bn in 1979; the National Bank of Kuwait opened an office in London a year ago and managed more international loans than ever before. The National Bank of Abu Dhabi arranged two floating rate note issues for French borrowers, a natural development as it is an active market maker in FRNS. The National Bank of Saudi Arabia on the other hand appears to be moving very cautiously and to be considerably underspent.

Vehicle

Where new names are concerned, the major news of the year was the setting up by the governments of Abu Dhabi, Kuwait and Libya of Arab Banking Corporation.

The sheer size of the new bank's capital suggests that the three shareholders had set up a vehicle which would help to refinance some of their surplus. Although ABC has been present in many loans, it is far from being highly geared. Were it ever to become as highly geared as European banks, it could support a loan portfolio of $10-$15bn.

Its size makes ABC a very courted institution and some critics have wondered whether lending to less than prime borrowers on very fine terms was not simply being done for the sake of adding numbers in the balance sheet. Others, however, are pleased to see a bank from the Middle East lend money on such a scale to borrowers who really need it.

A big balance sheet certainly does excite jealousy and it may not automatically result in a successful bank but ABC has already established its name and has succeeded in luring some well-respected bankers from the Gulf area to its staff.

In a class of their own are the three Kuwaiti banks, known as the three "Ks"—Kuwaiti Investment Company (KIC), Kuwait Foreign Trading Contracting and Investment Company (KFTCIC), Kuwait International Investment Company (KIIC). Apart from their home base, from which they still derive 40 per cent approximately of their profits, the three "Ks" have sought to expand international business. Their object is not primarily to recycle petrodollars and they have no unlimited access to such funds. These banks can attract European and U.S. banks to do business with them for a number of reasons not the least of which is that the Government has a 50 and 82 per cent stake respectively in KIC and KFTCIC.

As with the privately-owned

CONTINUED ON PAGE X

Fresh initiatives to safeguard the City's pre-eminence

London

MICHAEL LAFFERTY

THE COMING offshore banking centre in New York, the increasing evidence of declining profitability in international lending and the increasing tendency towards formal regulation are chief among the factors cited nowadays to justify the argument that London's relative position as the world's outstanding banking centre cannot be sustained much longer. But just how important are these factors to London's future?

The offshore centre in New York undoubtedly has considerable scope, in the view of London-based international bankers. But hardly anyone seems willing to suggest that it will lead to a reduction in the U.S. banking presence in London—not for many decades anyway. The argument is that New York simply does not have the great concentration of expertise and experience which is essential to international banking operations of any scale.

The City cannot really be rivalled at present by New York for skill, available pool of banking talent, legal framework, regulatory framework and the like. And while the British as a race may fairly be criticised for their lack of European feeling, the international orientation of the City of London is out of all proportion to anything in New York.

Not least of the City's attractions is London's highly favourable time zone, which allows dealings with virtually all other important financial centres for some time during the working day. This is enhanced by the fact that English is by far the most popular international business language.

The City's importance and status was well demonstrated during the recent Iran hostage crisis. It was not just chance that led to the Bank of England playing a central role in the affair. It was the Bank's experience, its trustworthiness, its good relations with banks and central banks the world over, as well as the sophistication of London, which contributed to the resolution of the crisis.

While London's attractions remain unparallelled, it must be recognised that the costs of operating in the City are very considerable indeed. Prime office accommodation in the Square Mile currently goes for about £25 per square foot. This compares with £22 per square foot for New York, £14 for Paris and £8 for Frankfurt.

Not least of London's advantages is location on the Greenwich meridian, a time zone which allows workday dealings with most other financial centres around the world—for example, in foreign exchange dealings as pictured above at Barclays Bank International

After accommodation the next big worry for banks is the cost of labour. City banking salaries have almost certainly more than kept pace with inflation over the past five years, partly spurred by the high level of payroll settlements in the big London clearing banks, whose profitability is said to be way ahead of big banks anywhere else in the world.

Haven

But while accommodation and labour may be expensive, banks soon come to realise that London is really a tax haven. "I cannot believe that we are not expected to pay any corporate taxes here," commented a senior American banker a couple of years back—but it was true.

Thanks to Britain's somewhat odd corporate tax system, the big London clearing banks—despite their profits—have paid very little mainstream corporation tax in the UK. By getting heavily involved in the leasing business they have deferred corporation taxes amounting to at least £2bn. The same is the case with just about every other bank operating in the City.

The system works because companies investing in plant and equipment are entitled to 100 per cent tax allowances. The device of leasing allows banks to own such assets, which in reality are totally used by corporate customers.

Tax incentives do not end there. The UK has very favourable rules for foreigners coming to London for a limited period of time and for those whose principal employment is overseas.

For the most part foreign banks come to London to participate in wholesale banking, particularly in the Euromarkets. It is no secret that the margins available on syndicated lending over the past few years have been far from attractive. This has led some banks to withdraw from this area of activity but others have gone on leading or participating in loans with margins well below ½ per cent over Libor. This business is, at best, only marginally profitable, say the critics.

The picture becomes bleaker when the exposure of many large banks to LDCs (Less Developed Countries) such as Brazil is considered. In some cases repayment of loans is not a foreseeable prospect for many years to come.

In contemplation of this sad picture some pessimistic bankers have come to the conclusion that failures in the banking community are now inevitable. "Wait until one or two big LDCs default," one senior merchant banker who travels the world remarked the other day, "then we should see a few spectacular failures." If that were to happen it seems likely that some of the backwash at least would affect London.

But the authorities have already been making contingency plans, should big national or international banks hit trouble. The "Basle Concordat" of the mid-1970s affirms that national supervisory agencies have primary responsibility for the international operations of their domestic banks, while the authorities in the centres where these foreign banks are operating are also entitled to supervise a branch or subsidiary operation.

The Bank of England's efforts to introduce new capital adequacy, liquidity, and foreign currency exposure rules for banks operating in London need to be considered against this general background. Looked at from the point of view of the general public interest, it might be said that such rules were long overdue.

But it is also probably true that London cannot get too much out of line with regulation in other leading centres such as Frankfurt, Zurich and Paris.

Controversy

The capital adequacy paper—which simply sets some broad guidelines for the amount of capital a bank should maintain in relation to its various assets—has not caused much comment. The real controversy has been about the draft paper on liquidity, which seemed to many bankers to be too legalistic. The Bank of England now accepts that the wording of the paper as originally issued, was somewhat unfortunate. Within the past few weeks it has launched a new initiative in the area of bank liquidity.

A simple paper has been issued for consultation, making such obvious points as that a bank's management bears primary responsibility for prudent liquidity management. Above all, there are no specific figures. But these could come later, when the Bank eventually issues a second paper on liquidity. That will only emerge after lengthy—and private—discussions with the banking community.

The message seems fairly clear. The Bank of England remains committed to preserving London's pre-eminent position as the banking capital of the world. It wants to improve its supervision arrangements and wants banks to operate within prudent limits. But it will try very hard to prevent anything happening that might send banks away from the Square Mile.

Lending will proceed on cautious lines

Japanese Banks

RICHARD HANSON

JAPANESE COMMERCIAL banks, like their counterparts elsewhere, are reassessing their international lending strategies to cope with tougher market conditions. Under the firm guidance of the authorities, the Japanese in fact expect to be allowed greater scope for both dollar and yen loans this year, after a cautious restart in 1980.

Some bankers consider the opening up of lending last year to have marked the beginning of a new (though more cautious) phase in the internationalisation of Japanese banks. The first chilly plunges into international waters have left them (collectively) more wary and perhaps wiser than in the past.

Among the implications of this conservative attitude is that there is little chance Japanese banks will revive their roles as a "recycler" of OPEC wealth to the less developed world, a prominent positive feature of earlier lending sprees. This "non-commercial" business will fall increasingly to the international organisations and Arab banks themselves.

Banned

Japanese banks were virtually banned by the Ministry of Finance from international loan syndications late in 1979, a situation which lasted until the following spring in the case of Eurodollar syndicated loans, after two years of what officials considered dangerously excessive activity. Yen loans, which were not allowed to restart—and then on a limited basis—until the end of 1980, had been cut off because of balance of payments problems.

Even when banks were allowed to rejoin Eurodollar syndications the authorities placed tight restrictions on the amount of Japanese participation to be allowed in any one loan and imposed a strict ceiling on the amount of lending each bank could do on a six-month basis. Moreover, the overall ceiling was about half the new loan commitments made in 1979, when Japanese banks contributed around 20 per cent of all the funds for commercial syndicated Eurodollar loans worldwide.

The authorities now consider 10 per cent more appropriate as Japan's share in international bank lending.

New Eurodollar loan commitments this fiscal year (starting April 1) are expected to be around \$8-10bn against \$6-8bn estimated for the year just ending. On the yen side, where loans did not restart until late 1980, the authorities may allow about Y200bn to be lent every six months. It is widely anticipated that restrictions on loans to sovereign nations will be dropped. (At present, yen loans are permitted only for inernational organisations, export financing and financing of natural resources development).

Meanwhile, the Samurai yen-dominated bond market, run for foreign borrowers by the securities houses, is regaining momentum. Public offerings of Y40-60bn a month are expected in coming months. Private placements were allowed to restart after a year's suspension at the rate of one Y10bn offer a month.

The banks reacted to the reopening of loans with appropriate restraint. They have found that opportunities to make money from international lending have become limited as the spread on loans narrowed, and their ability to make large volume loans was hampered in any case by official guidelines. The Japanese banks at home are not doing well enough to justify the kind of "public relations" efforts with little profit that may have supported earlier bursts of activity.

Moreover older loans made at wider spreads are being prepaid at worrying rates. Iran is the most prominent early payer but other countries are also cashing in to obtain lower spreads now available. It is believed that the actual net increase this year in outstanding loans—now estimated at around \$35bn—will be limited by the prepayment problem.

The Japanese strategy to cope with these tougher circumstances is beginning to emerge. On the one hand Japanese banks, with years of experience behind them, are beginning to innovate in international financing. One example of this new boldness is the floating rate dollar certificates of deposit, invented by Sumitomo Bank's European subsidiary, Sumitomo Finance International, three years ago to tap the growing pool of Singapore-based Asian dollars.

This type of borrowing is becoming more popular with national borrowers, and the Japanese are attempting to build more funding links into OPEC to make them more viable.

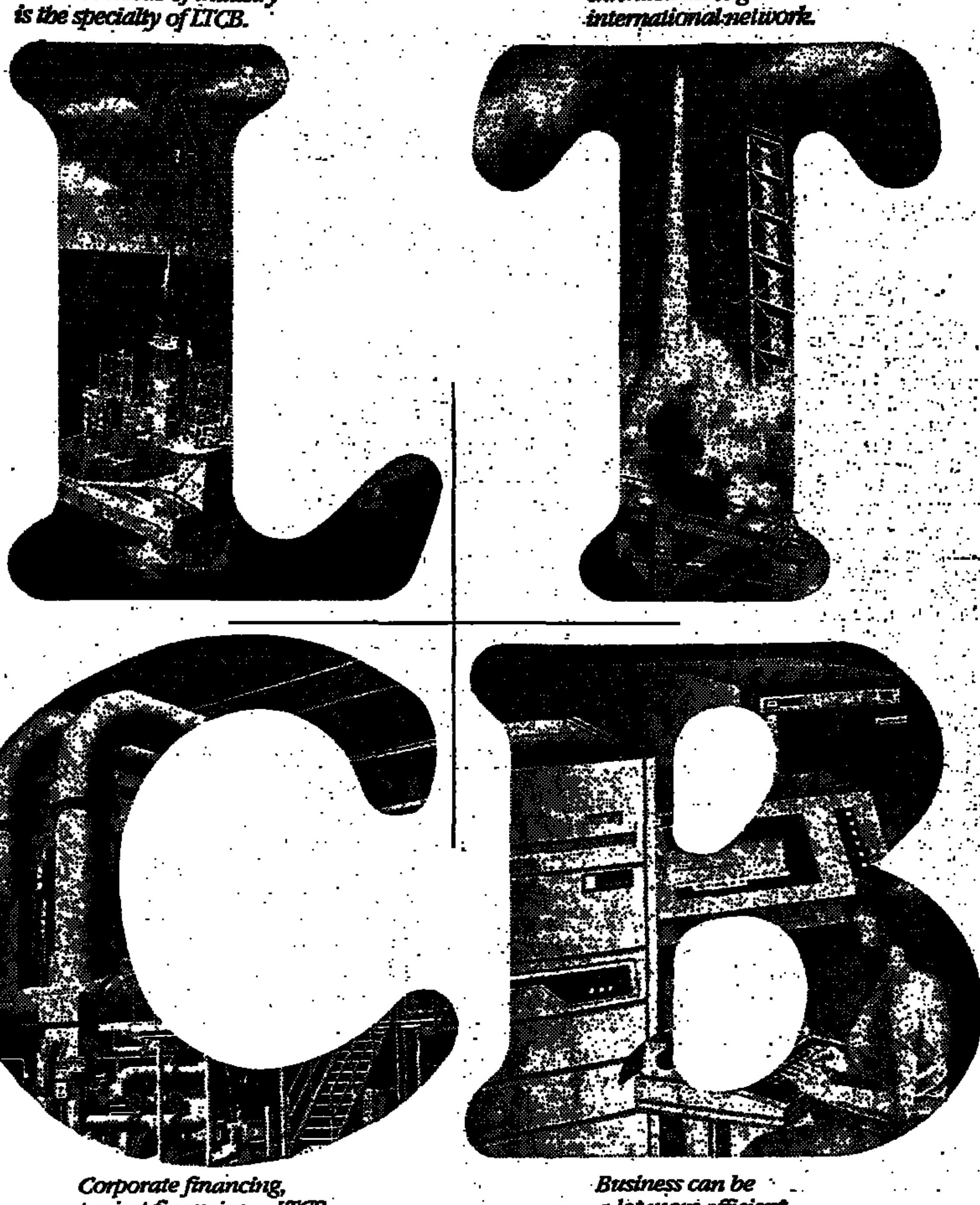
Selective

On the other hand Japanese banks, at the urging of the authorities, will be increasingly selective about how they participate in international loan syndications. A participation solely as a provider of funds may be discouraged (some reckon banned) in favour of joining management groups where profits from management fees help make up for narrow spreads.

To the dismay of less-developed nations, which need financial support, the Japanese banks do not appear to be set to channel large amounts of funds their way. In the last decade Japanese banks became major sources of loans for countries like Brazil because the amounts had not reached "credit risk" ceilings agreed in consultation with the authorities on individual countries.

It is expected, moreover, that the first nations in line for sovereign yen loans will by no means come from the developing world. Even if loan limits are raised bankers say it is unlikely that Japanese banks would flock to poorer countries for business.

Ironically enough, Japan itself last year strongly encouraged a move towards becoming the "last stop" on the OPEC recycling circuit. OPEC investment in Japan (largely securities) may have reached double the outward flow from Japanese banks.



Withholding tax seen as barrier to progress

Hong Kong

KEVIN RAFFERTY

HONG KONG'S annual Budget last month contained important paragraphs and promises for the development of this tiny British-run territory as an international financial centre. In particular it offered a hope that the Government might drop the 15 per cent interest withholding tax on foreign currency deposits which bankers have long contended has inhibited the development of Hong Kong as a funding centre for internationally syndicated loans.

As yet there is no commitment to remove the withholding tax. The statement of Sir Philip Haddon-Cave, the Financial Secretary, was a model of careful caution. He said that a new examination was being made of the proposition "that interest payable on deposits denominated in foreign currencies above a certain minimum size and accepted by institutions of a certain status be made exempt from tax and, consequentially, that the institutions concerned be made exempt from any withholding obligation."

Hedged

Even then he hedged the promise: "If the outcome of the examination is that the fiscal and monetary implications of implementing it are reasonably predictable and at least neutral, and the economic implications probably beneficial, then, subject to the advice of the Executive Council, an amendment will be introduced later this session."

Some people who claim to know the Financial Secretary say that the guarded language is just to cover, if not his conversion, then his acceptance of the benefits of relaxing the tax. For years Sir Philip has resisted fiercely all attempts to remove the tax. A turning point in bringing change may have been the official committee on diversification of Hong Kong's financial services which Sir Philip himself chaired.

The committee, concerned that the tax was driving funding activities elsewhere, notably to Singapore, and holding up Hong Kong's general financial development, urged that the Government "should reconsider the implications of interest [withholding] tax on the willingness of those with savings and investment funds to leave them in Hong Kong." Sir Philip made it plain in his Budget that he would not contemplate the entire abolition of the interest tax, but only the portions of it dealing with foreign currency deposits for offshore loan funding.

What has happened is that Hong Kong has become a big centre for the syndication of international loans, but these have been funded largely from Singapore because of the interest withholding tax. Singapore has no interest tax on offshore deposits.

Some bankers, though probably a minority, cynically say that a lifting of the withholding tax would now not make much difference. As one of them put it: "only the very naive pay the tax, as there are so many ways round it. And in any case, now that Singapore has built up the regional funding base, it is likely that funding will stay there. History is a powerful factor."

But most bankers think it is important for the authorities to remove the tax. A minor reason is that Singapore is challenging to win more of the syndication business of international loans. A sign of this was the decision, over the violent opposition of local lawyers, to allow some foreign legal firms specialising in finance to practice in Singapore. But as one of the big banks commented: "That is typical of Singapore. They had to fight for permission and even now there are fewer than a handful of foreign legal firms. Here there are dozens of foreign firms, and there is no question of permission. If they are qualified and can afford the rent, they can be in business."

Of more concern is the fact that the tax introduces a certain "fuzziness" to Hong Kong's reputation as an international financial centre. The attractiveness of the place is diminished if bankers have to look for loopholes or take the word of the tax authorities on trust.

That things should be clear and above board is the prevailing feeling. If the withholding tax is dropped, so that Hong Kong is encouraged to develop the funding side of the international loan business, it will mean more jobs, more expertise and a general all-round boost to Hong Kong's financial reputation.

Established

This could be important if Tokyo continues to open its doors to international capital. Tokyo could come close to mopping up virtually all international business of the region within a short time if it determined to go for offshore business. On the other hand if Hong Kong seeks to expand and to fill the gaps in its expertise, then by the time Tokyo is ready to play a full international role, strong traditions will have been established and it will be difficult to take business from Hong Kong.

The nervousness towards the authorities has been increased by the same February Budget that promised official backing for Hong Kong's greater international role.

Hong Kong's financial development has reached such a stage that some tidying up is necessary. There are now 113 licensed banks in operation with 1,148 offices, another 107 banks with representative offices, and still a queue of banks which would like to set up in the colony when the present moratorium is lifted. In addition more than 300 deposit-taking companies have opened their doors since they were formally authorised in 1976.

These deposit-taking companies have been more aggressive and prepared to lend at higher rates than the banks. They range from effective merchant banks down to virtual pawnbrokers.

In the Budget Sir Philip suggested that demarcation lines and restrictions be applied. He wants to restrict deposit-taking companies to deposits of three months or more, leaving the short-term business to the banks. In addition he proposes a new category of licensed institutions, the equivalent of merchant banks (though it is doubtful if they would bear that title) which would be limited to initial deposits of HK$500,000 or more.

Certainly in any discussion of rivalry or competition between the twin island states of Singapore and Hong Kong, the latter's bankers are liable to foreclose the discussion by saying that there is no such competition. Hong Kong is out on its own."

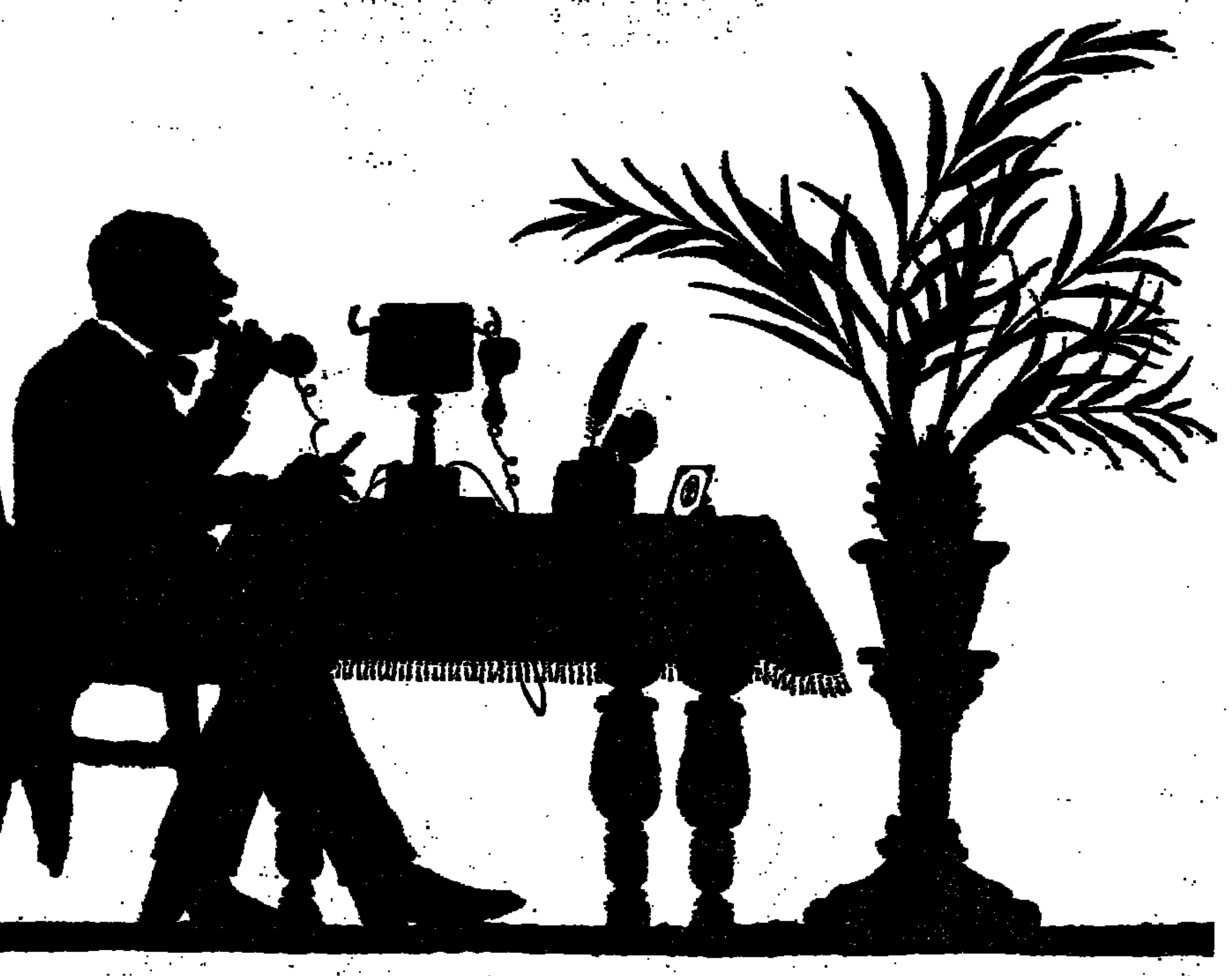
Almost all the big names in banking and merchant banking are in Hong Kong and many medium-sized concerns would like to get in. According to a study by the magazine Asian Banking, Wardleys, the subsidiary of the Hongkong and Shanghai Bank, was by far the most profitable of the Asian region's merchant banks, showing profits of U.S.$14.7m, or more than twice as much as its nearest rival, Sun Hung Kai Finance, also of Hong Kong.

As far as the syndication of international loans is concerned, Hong Kong is a long way ahead of Singapore. Most of the international banks have Hong Kong offices which have the responsibility for putting together regional loans. In some cases, for the countries on the margin of the region, such as India, the packaging may be shared between Hong Kong and London offices.

Interest in international bonds has also increased sufficiently for the Association of International Bond Dealers to form a Far Eastern region, the Association's 12th chapter. Mr. Yji Kikuchi, deputy general manager of Tokyo Finance (Asia), the Bank of Tokyo's merchant banking arm, noted that Singapore was the main centre in Asia for issuing of new bonds and Hong Kong for trading in them, but that as more money flowed into Hong Kong it was likely that the Colony would also begin to issue bonds.

As yet Asian borrowers themselves tend to rely on syndicated loans rather than bonds. Only a handful of names are well enough known to go for bonds, though Jardine Matheson, the big Hong Kong tarding houses, and Hong Kong Land have both issued fixed rate U.S. dollar bonds in the London market.

In all this many bankers say that the lifting of the interest withholding tax is a key, "a signal" as one of them put it. If it were lifted, one of the leading bankers in Hong Kong reckons that the territory would within five years surpass Singapore in the funding of loans, effectively shifting the Asia-dollar market to Hong Kong."



Arab banks' presence

CONTINUED FROM PAGE VIII

KIIC, the other banks have immense placing power when it comes to bond issues. Houses in Europe know they will not find the paper they place with the three "Ks" thrown into the market the following day. In the French franc sector these houses have featured prominently during the past 12 months, essentially in issues which carry a sovereign guarantee.

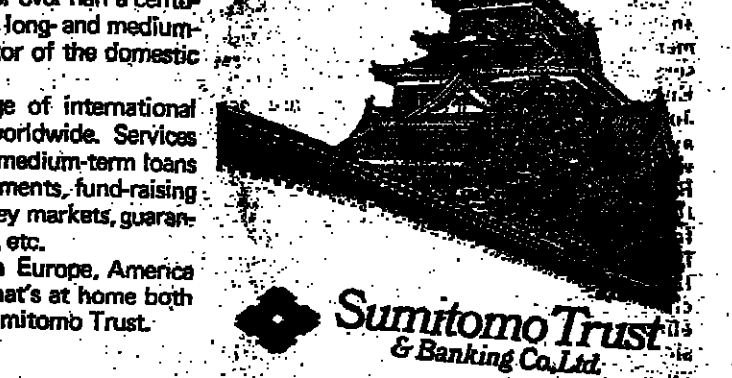
KFTCIC is the only one of the three "Ks" to have continued participating in syndicated loans during the past 12 months. The other two banks decided that margins were too thin for the game to be worth playing.

New aspirations have not put paid to the old caution overnight and, as many Arab bankers point out, the main flow of surplus petrodollars does not flow into their coffers. Indeed the proportion of such funds deposited directly with Arab banks has almost certainly declined during the past two years as the aggregate total has swollen again.

With the exception of the National Bank of Abu Dhabi, which does handle a substantial share of that country's dollar assets, most of the surplus funds continue to go to the major U.S. and European money banks. This, Arab bankers say, is not going to change although some are resentful of this state of affairs.

Most Arab bankers know, however, that Arab banks are not yet professional enough to handle such vast sums of money despite the progress made since 1974.

By spreading the funds across a large number of banks, the Arab oil producers are also buying anonymity, a commodity they value above all else.



FOREIGN AFFAIRS

How Russia has held its empire together

"DURING those critical days for the —— working class, we Soviet Communists debated how to help them. . . . One or two of our comrades questioned whether our —— comrades would take it in the right spirit if we hastened to their aid." The speaker was Nikita Khruschev, the date 1959, the place Budapest, and the missing name is "Hungarian." Three years earlier Moscow had resolved its internal debate by smashing the short-lived Hungarian rising.

Just such a debate must have been in progress in Moscow, not just for a matter of days, but for nearly nine months, about events in Poland. But in this case they know they face a population three times as large as in Hungary, with an organised and independent working class movement, and with a long history of hatred for the Russians.

Since the end of World War II, four of the seven East European countries have made serious attempts to break out of the mould imposed by the Soviet Union, on average once every 12 years. Each of these attempts took a structurally different form, and only the first—that of Yugoslavia—has been successful.

The conventional wisdom is that the Polish attempt is bound to fail, on the grounds that the workers' movements must be unacceptable to Moscow, and that if the party leaders in Poland cannot crush it, the Russians are certain to intervene to crush it for them.

Yet according to this same view, a Soviet intervention has been inevitable ever since the Polish strike wave erupted nearly nine months ago. From this long delay it is clear that the Russians have been extremely reluctant to intervene, and this may have something to do with the structure of events in Poland.

In any case, it is striking that the challenge to the Soviet model which is in progress in Poland has by now already gone on longer than the Hungarian rising of 1956, which in effect lasted for only 12 days (though the fighting continued for some time after that) or than Alexander Dubcek's Prague Spring of 1968, which endured less than eight months.

Why did Tito's rebellion against the authority of Moscow succeed? In one sense the answer has always been obvious. Yugoslavia was the only East European country not "liberated" (that is, occupied) by the Russians after the war, but was liberated by Tito's partisans with some (seriously delayed) help from the western allies, and little from the Soviet Union.

When the war ended, Josip Broz Tito was the undisputed national hero, in charge of the Yugoslav communist party as well as of the army. He used the conquest of power to create an unchallengeable political position, through the ruthless suppression of all opposition characteristic of all authoritarian states.

When he was faced with the choice, in 1948, between submission to Moscow and national independence, it was comparatively easy for him to choose independence, and extremely difficult for the Soviet Union to challenge that choice. They could not subvert his regime, they dared not invade against a relatively united country and a very tough army, and the best they could do was impose an economic blockade — which drove Tito into closer links with the West.

Indeed, according to Milovan Djilas' new biography *Tito**, he did not really have any choice at all. Having been a Communist since long before the war, and having spent a considerable time in the Soviet Union, Tito found the break with Moscow personally painful. But in Djilas' view, Tito had no real option: with or without him there would have been resistance to Moscow and independence was the only way he could maintain unanimity and his own unchallenged position.

Considering that Djilas, for many years one of Tito's closest lieutenants, was thrown out of the party in 1954 and twice imprisoned for a total of nine years, for expressing "revisionist," that is, excessively liberal, reformist and democratic ideas, he has written an astonishingly generous biography. Not that he is uncritical; on the contrary. He says that he was scandalised by the brutality with which all opposition was crushed, notably in the Goli Otok concentration camp which was used for the "re-education" of the Moscow sympathisers in the party, and contemptuous of Tito's reputation for never signing a death warrant—while ensuring that death warrants were nevertheless signed by subordinates.

In terms of column-inches, Djilas is even more contemptuous of Tito's vainglory and extravagance, his palaces, his hunting parties, his medals, and his gold belt-buckle which was so heavy that it kept slipping down.

Yet the total impression of his memoir is not so much one of generosity as of love—a word which he explicitly uses about his feelings for Tito—and of an uncomplaining sense that, despite his extravagance and despite the authoritarianism of hs regime, Tito did on balance rather well by his country and his countrymen. It is a remarkable testimony, and a delightfully mature book.

Imre Nagy, popularly credited with being the leader of the 1956 Hungarian rising, did not earn and should not receive any similar eulogy, for there is one thing which emerges clearly from David Irving's *Uprising*†, it is that Nagy had no clear idea of what was going on from start to finish, and certainly no plausible tactic for handling what was essentially an eruption of disorganised rebellion by others.

The streets of Budapest during the Hungarian uprising

The rising was born on a swelling wave of resentment against the political repression and economic failure of the Hungarian Stalinists, personified by the evil Matthias Rakosi, and was fostered in part by Khruschev's de-Stalinisation campaign after 1953, in part by the impression—irresponsibly spread by Eisenhower and Foster Dulles at the height of the Cold War—that the U.S. was genuinely bent on liberating Eastern Europe.

An important if distasteful element in the unpopularity of the Stalinist leadership seems to have the fact that a remarkable number of them were Jewish, coupled with the fact that in Hungary, as in Poland today, the party functionaries were fat cats with privileged access to luxuries.

On October 23, 1956, a demonstration of students demanding, among other things, the removal of Russian troops from Hungary, swelled uncontrollably and ended up as an armed assault on the radio building. By that evening Imre Nagy, who had been Prime Minister in 1953-55 before being tossed out of the party (like Milovan Djilas) for his relatively liberal views, was abruptly reinstated as PM—by the party.

Fighting spread like wildfire for five days. Russian forces intervened (half-heartedly), ostensibly at Nagy's invitation. Hungarian soldiers handed out arms to the rebels. On Sunday 28 a national ceasefire was declared, on the understanding that the Soviet troops would withdraw from Budapest.

Throughout the following week, the Hungarian state slowly fell apart. The hated AVH security police was disbanded and its members were hunted down by a vengeful populace. The government tried to create militias integrating the rebels with the army. Nagy spent his time forming coalitions with non-Communist politicians—three coalitions in five days—but not including any of the local rebel leaders. By November 1 he was declaring Hungary's neutrality and its departure from the Warsaw Pact.

Two days earlier, on October 30, Moscow published a declaration announcing its readiness to negotiate the stationing of Soviet troops in Warsaw Pact countries. Three days later, on November 4, Soviet troops attacked Budapest at dawn and systematically smashed the rising. On November 22 Imre Nagy was inveigled out of the Yugoslav embassy, where he had instantly taken refuge. Two years later, in June 1958, he was tried and hanged.

As a researcher, David Irving is obviously indefatigable: as an author he has serious defects. His book is crammed with details which obviously come from exhaustive investigation of documents and interviewing of witnesses. But his frenzied efforts to project dramatic scenes must owe an excessive debt to his rather crude imagination. He sacrifices on the altar of cinematographic vividness any serious attempt to offer a sober and comprehensible narrative sequence.

And yet his B-feature style may be the right mirror for a B-feature rising: chaos from start to finish, with tin-pot politicians playing fatal games, and no-one in charge of anything. At all events, it is the supreme irony that Janos Kadar, who ratted on Nagy's government in mid-rising and publicly promised that Nagy would never be punisshed. Kadar has nevertheless succeeded in becoming the least unpopular leader of any East European satellite, through a policy of economic if not political liberalisation.

In Czechoslovakia 12 years later, the structure of the break-out was quite different: it came, quite unexpectedly, from the top not the bottom. There was virtually no violence from start to finish; the Russians simply occupied the country and abducted Alexander Dubcek, after the usual deceptions and pseudo-negotiations. The Czechs made everything easy by showing beforehand that they would not resist, the West by showing that it would not even make much fuss.

Dubcek's error was in not noticing that his liberation programme was paralleled by the development of the Brezhnev doctrine and in paying no attention to evident Soviet fears this his surrender of the leading role of the party could lead to Czech abandonment of the Warsaw Pact. Yet as Karen Dawisha points out in *Soviet-East European Dilemmas*‡, the Czechs had been told three months before the final clamp-down that the Soviet Union was prepared to risk a third world war to prevent Czechoslovakia leaving the Pact.

The novelty of the Polish situation is clear. The party is unmistakably in charge of government (if divided), and it is resisting the would-be reformers in the trades union movement, even if it has been forced to give a lot of ground already. Unlike Hungary, where the workers only tried to get organised after the second Russian invasion, the trades unions are already organised nationally (if divided). Virtually the only violence so far has been the beating up of a local union official; if this was deliberate provocation, as it may have been, it may be achieving its purpose to the extent that things are evidently reaching a new crisis.

The Russians' main difficulty is that they are still trying to size up the chances of any kind of dialogue with the disorientated new U.S. Administration. A military intervention would scupper those chances, and could have incalculable follow-on effects, not merely in East-West relations, but conceivably inside the Warsaw Pact as well, according to Philip Windsor in Soviet-East European Dilemmas.

By their hesitations, the Russians clearly recognise all the risks involved in a military intervention. Yet in 1968 the Financial Times carried a leader arguing that Moscow could not afford to invade Czechoslovakia. It appeared on the morning of the invasion. I remember, because I wrote it. We are all much wiser now. Aren't we?

* Tito: the story from inside. Milovan Djilas. Weidenfeld and Nicolson £7.95.

† Uprising: One nation's nightmare: Hungary 1956. David Irving. Hodder and Stoughton £13.50.

‡ Soviet-East European Dilemmas: Coercion, Competition and Consent. Karen Dawisha and Philip Hanson (eds). Heinemann/Chatham House £14.95.

Ian Davidson

Letters to the Editor

Transfer tax

From Mr. G. Gardiner.

Sir,—While not holding any brief for the wealth owner who sells a productive capital asset in order to apply its proceeds in consumer expenditure, I am concerned for the owners of businesses who wish to see them continue and thrive. I am sure that such people will not be comforted by Mr. Alister Sutherland's calculation (March 23) that the capital transfer tax on £4m (say a 2,000-acre farm) will be henceforward only £880,000. That could still absorb the after-tax income of a farm for a generation and when the taxation of a business reaches 100 per cent one cannot see much entrepreneurial enthusiasm surviving for the benefit of the British economy. It also means that since estate duty was reformed in 1949 by the "Iron Chancellor," Sir Stafford Cripps, the tax on a 2,000-acre farm has risen about 44 times.

Mr. Sutherland works for an institution which is a charity and therefore exempt from capital taxation. In order to understand the businessman's problem, let him imagine Trinity College to be a business wholly owned by the Master so that in the event of Sir Alan Hodgkin's death the whole of the college's assets would be dutiable. No doubt the bursar, who is a very fine businessman, would call upon all the profound intellectual resources of the college to organise the lowest tax charge, and he would have the advantage, shared by few other businesses, of ample financial assets to be realised, but the damage would be great and might cause the sale of useful enterprises such as the science park and the trading estate. The taxation and economic situations encourage the retention of non-income-producing works of art and books, so the statue of Newton and the contents of the library are probably safe; but a sale and leaseback of the chapel and hall to a pension fund might need to be contemplated, but not, I think, with very advantageous results. Pension funds prefer the Lion Yard!

The college's valuable activities would be impaired and its competitive position prejudiced so that it might no longer be able to rival all the universities of France put together in the production of Nobel prize winners. But the economists of other poorer colleges and universities would express smug satisfaction with a tax system which had redistributed Trinity's great wealth.

Next door to Trinity at St. Johns College are two wise men. These great agricultural scientists, Professor Sir Frank Engledew and Professor Sir Joseph Hutchinson are well aware of the dangers from unwise taxation to the future of British farming. In 1976 when they convened the policy conference on the future of British farming those experienced in the taxation aspects were included and a report on the effects of taxation was commissioned and executed by three members, including myself. Writing to me last November, Sir Frank remarked: "Certainly the financial considerations are more complex and important than I suspected, they would be. . . ."

Of course the capital transfer tax problem for farmers is exaggerated by the artificially high price of land caused by the need of pension funds for an inflation-proof investment. In the report referred to above it was advocated that "the Government should make available to pension funds an inflation proofed bond. . . ." Thanks are due to Sir Geoffrey for at least doing that. He should now look at the next page of our report and act upon the recommendation to replace National Insurance contributions by VAT so that British industry can better compete with foreign imports which have such an enormous exchange rate advantage.

G. W. Gardiner,
3 Molly Potts Close,
Knutsford,
Cheshire.

The banks and pay

From the General Secretary, Banking Insurance and Finance Union

Sir,—I see that Mr. Cowan of the Federation of London Clearing Bank Employers has seen fit to write a letter (March 25) on the current dispute which this union has with the banks over pay. It is interesting that Mr. Cowan is now apparently the spokesman for the banks whereas a few days ago Mr. John Quinton of Barclays Bank was apparently making statements on behalf of the banks. It is, though, sad that Mr. Cowan should choose to argue his case in print rather than over the negotiating table.

What the banks have stated to us is that their 10 per cent is on a "take it or leave it" basis. Such a view is myopic because at the end of the day there has to be a settlement that is acceptable to the staff as well as to the banks.

In meetings with the employers federation, the banks laid great stress on the fact that the retail price index was coming down each month and they estimated that the RPI for February 1981 would show an annual rise in the cost of living of 11-11.5 per cent: in fact, the February RPI showed an annual rise of 12.5 per cent and this has knocked the ground away from the banks' central argument. The March RPI figure is likely to be increased as a result of the Budget.

There is no incomes policy in the private sector and we are told that the criterion in collective bargaining is meant to be the ability of the employers to pay: it is a matter for record that the banks in the recent negotiations have never denied their ability to pay.

As regards Mr. Cowan's rather obscure rebuttal of advice he is alleged to have given to the banks' chief executives on the level of a pay settlement, I am reminded of the phrase "methinks he doth protest too much."

Leif Mills.
Banking Insurance and Finance Union.
Sheffield House,
Portsmouth Road, Esher, Surrey.

Priority for meat

From the Deputy General Secretary, National Federation of Meat Traders

Sir,—Your report "Plan to boost UK meat exports" (March 26) gives the impression that the lamb export campaign of the meat promotion executive enjoys the support of the High Street butcher. The retail meat trade is far more concerned that the British public should be adequately served with fresh meat and believes that provision of the home market should be the industry's main priority.

V. Champion.
The National Federation of Meat Traders,
29, Linkfield Lane,
Redhill, Surrey.

A matter of choice

From Mr. A. Harvey Wood

Sir,—Denis Goacher in reviewing Peter Ackroyd's "Ezra Pound and his world" (March 21) takes issue with the author for using "extravert" in a context where the reverse of introspection is meant, insisting that "extravert" is the correct usage. If this is right, it is a point which has escaped the attention of the editors of the Shorter Oxford English Dictionary who quote "extravert" only as a verb meaning "to turn out so as to be visible," a derivative from "extraversion" which they describe as "rare."

"Extrovert," on the other hand, they define as the opposite of "introvert," namely "one who is concerned mainly with what is external or objective." This surely is what Mr. Ackroyd meant.

A. J. Harvey Wood.
Camp Lodge,
Camp,
Nr. Stroud, Glos.

No benefit to the consumer

From the Legal Adviser, Institute of Practitioners in Advertising.

Sir,—In David's Churchill's article, "The spectre of caveat vendor" (March 24), it is suggested that industry has concentrated too much on the costs of consumer protection and given little or no attention to assessing the benefits to the consumer. This is not the case.

Our concern at the cost of consumer protection arises from our belief that there is a growing number of pieces of legislation which are not only failing to improve the position of consumers but in some cases actually making their position worse.

One prime example, which the Government is now looking at again, is the Price Marking (Bargain Offers) Order. It was designed, to quote Roy Hattersley, "to make it illegal for manufacturers, retailers and advertisers to make mythical bargain offers." Apart from being unbelievably complex, and consequently difficult to comply with and enforce, the legislation has actually generated large numbers of novel bargain claims which are much more misleading to the consumer than the ones that have been banned.

A second example is the order made under the 1974 Consumer Credit Act governing the form and content of credit advertisements. The declared objective was to give consumers more information—the availability of credit facilities by requiring anyone mentioning credit in an advertisement to put in a lot of detailed extra information. The legislation is again very complex and there is now growing evidence that retailers offering credit facilities are taking the easy option and removing any mention of credit from their advertisements. So one is faced with legislation designed to increase consumer information which actually does the opposite.

These are not, I fear, isolated instances. They suggest to me that some recent legislation may be serving little or no useful purpose except to serve as a job creation programme for lawyers.

Philip J. Circus,
Institute of Practitioners in Advertising.
44 Belgrave Square, SW1

Cramped in the club class

From Mr. E. Rickless

Sir,—Your article on "club class" (March 21) unfortunately glosses over the indignities heaped on airline passengers travelling today. "Club class," is of course, nothing more than the old economy class. The seats are just as uncomfortable and the food as unappetising. The inevitable increase in fares between economy and club is to cover the cost of bloated staffing. Regular travellers are not fooled. What we find are innocents sitting next to us in hideously cramped quarters paying extra for what they used to get for less.

What I have found on recent flights is that club class is uncomfortably stuffed with naive tourists deceived into thinking they were travelling posh, while the aft cabins are half empty. My advice to long-suffering business travellers is to melt into the back cabin at a much cheaper fare if only to get a little leg room and to escape the screaming baby that British Airways thoughtfully plants on every flight directly behind the old first class.

Elwood A. Rickless.
Trafalgar House,
11/12 Waterloo Place, SW1.

Social democrat votes

From Mr. M. Oakeshott

Sir,—May I clarify one point in your report (March 26) of my projections of possible General Election results for a Social Democrat-Liberal alliance? Your tables A, B and C accurately present three results, with the totals of seats won by the alliance rising from 103 to 224 to 399. But the text should explain that outcome A assumes that 4 per cent of the total votes cast in each seat switch from Conservatives to Social Democrats or Liberals, and 8 per cent of the total votes cast switch from Labour to the alliance. In outcome B the figures are 4 per cent and 12 per cent respectively of the total votes cast, and in outcome C, 8 per cent and 12 per cent of the total votes cast.

Mr. Rutherford's conclusions about the extraordinary results which the first past the post voting system can produce in a three-horse race are, of course, unaffected and undeniable.

Matthew Oakeshott.
57, Kennington Road, SE1.

Today's Events

GENERAL

UK: Mr. James Prior, Employment Secretary, opens Numerical Control Equipment exhibition and conference, Wembley Conference Centre (until April 1).

Dr. Manuel Ulloa Elias, Peruvian Prime Minister, on official visit to UK (to April 1), meets Mrs. Margaret Thatcher, 10 Downing Street.

Mr. Arthur Dunkel, GATT director-general, speaks at Trade Policy Research Centre dinner, Waldorf Hotel, WC2.

Mrs. Shirley Williams, member of Social Democratic Party leadership, addresses Secondary Heads Association conference, Sheffield.

Southampton dockers and management meets to discuss pay dispute.

Sir Monty Finniston speaks at British Numerical Control Society dinner, Wembley.

UK/Hungarian seminar on microelectronics in telecommunications opens, Aston University (until April 1).

Surrey Chief Constable publishes annual report.

Overseas: Lord Carrington, Foreign Secretary, meets Government leaders in Hong Kong (until April 1).

EEC Agriculture Ministers seek agreement on farm price increases for 1981-82, Brussels.

100 Chinese delegates meet representatives of 300 European companies at EEC-China trade conference, Brussels.

Islamic Conference's economic, social and cultural commission meeting opens, Jakarta (until April 2).

Film industry announces Oscar awards, Los Angeles.

PARLIAMENTARY BUSINESS

See Parliamentary Diary on page 23.

COMPANY MEETINGS

See Financial Diary on page 23.

COMPANY RESULTS

Final dividends: APV Holdings. Arncliffe Holdings. Charterhouse Group. Federated Land. Freemans (London SW9). The Low and Bonar Group. Ocean Transport and Trading. H. and J. Quick Group. Interim dividends: Blue Bird Confectionary Holdings. Emess Lighting. Ferry Pickering Group. Newman-Tonks Group. Scottish Cities Investment Trust.

Denby refuses to be drawn by 'impudent' Crown bid

BY TERRY GARRETT

SHAREHOLDERS in pottery manufacturers Denbyware have been looking over their shoulders for the past 18 months waiting for mini-conglomerate Crown House to pounce.

As far back as 1978 Crown bought a stake in Denby and when it stepped up its holding from 13.6 to 29.98 per cent in August 1979 it looked just a matter of time before Crown would launch a full bid.

Its moment came in January when Denby reported a collapse of its half time figures into losses and a dividend cut by more than half.

Less than three weeks after the figures were announced Crown put a cash offer of 80p a share on the table—which was just 6p above the market price. Denby's management seemed surprised. Evidently the two companies had finally got down to talking about some mutual marketing arrangements — Denby's pottery with Crown's Dema glassware.

Denby's management rejected the bid outright as an "impudent" approach. The battle lines were drawn for what has turned out to be some caustic exchanges. Thursday is the first closing date, but shareholders should let that pass without action.

The directors of Denby control less than 2 per cent of the equity but Minster Trust, the company's advisor, quickly went into the market the morning the bid was announced and took its own holding up to 15.3 per cent. Even so Minster could hope for a stronger position from which to launch a defence.

Yet there is another 20 per cent or so in the hands of founding families. If these holders line up behind the management Denby's defensive position would be much stronger.

Crown's main line of attack has been aimed at Denby's declining profits and substantial borrowings, which it says "will limit its ability to finance increased business" when the recession ends.

The bidder asserts that it is pitching in now to "protect its investment from further deterioration." Crown paid 105p for its original stake and 135p a share for the 1979 purchase.

Crown plays heavily on the commercial logic of merging Denby and Dema. Mr. Patrick Edge-Partington, Crown's chairman, argues that Denby's main failure is "weak" marketing. His ambition is to push more Denby pottery through his "shops within shops," and through his European marketing links.

Mr. George Robinson, Denby's chairman, rebuffs any thoughts of industrial logic and accuses Crown of launching a bid to "prop up its flagging glassware interests."

Mr. Edge-Partington rejects claims that Dema is flagging and insists a merger is "brimming over with industrial logic."

But logic or not, for Denby shareholders Crown's arguments are only of interest in judging how much it wants to own Denby. The stronger the case it makes for the opportunities for much higher profits after a merger, the more, presumably, Denby must be worth to Crown.

So far the only concrete fact from the defence is a property revaluation. It was left up to the opposition to reveal that Denby is planning to dispose of its highly profitable associate stake in International Ceramics.

Denby has produced a professional revaluation throwing up a £3.27m surplus and lifting net asset value by 76p to 175p. Thus Denby claims the 80p offer is "derisory."

Crown attacks this argument by using Denby's own valuers' report showing an open market value of £1.5m and reducing the surplus to only £772,000.

The news that Denby was negotiating the sale of International came as a surprise. International is currently riding on a wave of buoyant orders from the aircraft industry, and in the half year Denby's holding brought in £291,000 pre-tax.

TRW, the U.S. group which owns the rest of International, confirms that talks are under way. According to Minster, negotiations have been going on for the "best part of a year," but undoubtedly the Crown approach has hurried things along.

Denby does need to reduce its debt burden. In the last accounts, dated March 1980, capital gearing was 83 per cent and a sale of International would make quite a difference to the balance sheet, even if it does mean disposing of the most profitable part of the company.

Eventually, Denby will have to give shareholders some concrete facts on which to judge the bid. Another document should reach shareholders this morning but it will not contain any profit indications for the year just ended.

Minster may well be hoping that Crown will improve its offer before it has to show its hand with a profits forecast. The 80p offer has the feel of an opening shot, and the possibility of a counter bid cannot be ruled out yet. Which ever way, a better price will be needed to win the day.

NCC Energy's lightning tour of U.S. suitors

BY ALAN FRIEDMAN

THIS morning finds Mr. Graham Ferguson Lacey, chairman of NCC Energy, en route from San Francisco to New York City where he is to hold merger discussions with United Nuclear Corporation (UNC), a U.S. company which specialises in uranium extraction. Mr. Lacey's weekend started on Friday on San Francisco's Nobb Hill, where he entered merger talks with Simplicity Pattern, a New York based manufacturer of home sewing products.

If all this sounds confusing, it may be because of the slightly variable nature of NCC Energy's plans. NCC used to be the National Carbonising Company, but has been transformed over the past 18 months into a U.S.-oriented energy business.

Two weeks ago Mr. Lacey announced he was in talks with UNC which might lead to a takeover bid for NCC Energy. Before news of these talks NCC shares stood at 92p, valuing the company at just below £30m. But takeover speculation pushed the shares up to 142p over the past two weeks, a price which values NCC at £46.2m.

Then, on Friday, NCC trading was suspended in London at 142p a share. On Friday evening Mr. Lacey announced that NCC had purchased a 5.5 per cent stake in Simplicity Pattern at a price of $13 per share, or $9.8m in all.

He said that in addition to continuing discussions with UNC, talks had commenced with Simplicity to "actively explore and work towards a merger between NCC and Simplicity."

Beyond the talks, NCC and Simplicity directors would join each other's boards "in order to facilitate knowledge of each other." Simplicity was described by Mr. Lacey as "one of the world's largest pattern makers."

Simplicity is a women's and children's clothing pattern company. It has a New York Stock Exchange market capitalisation of $135m, made a pre-tax profit of $18.5m last year and has a cash balance of $85m. But it seems to have little to do with Mr. Lacey's plans for oil and gas exploration.

Mr. Lacey explained the logic of a merger in the following terms: "Simplicity is interested in diversifying away from home sewing and patterns. They have $85m of cash sitting in the bank and doing nothing."

He went on to say that NCC and Simplicity were exploring "the benefits which could be derived from pooling our respective cash resources in order to develop a strong energy and minerals company."

In the event of a merger, said Mr. Lacey, the Simplicity quotation could replace NCC Energy's London Stock Exchange listing.

But almost in the same breath Mr. Lacey added that discussions between Simplicity and NCC would not rule out the possibility of a "relationship" between NCC and UNC. This possible relationship is the subject of the talks planned for today.

Difficult trading year faced by British Vita

British Vita faces another hard year of trading says Mr. F. A. Parker, chairman.

The group has its cost under control, except in the areas of energy, communications and rates. Internationally the economic trends are showing signs of improvement, from which the group expects to benefit. It is establishing two new fibre plants in Australia, additional foam plants in the West Indies and new operations in North America are under consideration, he says.

"In continental Europe our companies are more and more becoming a force in their existing markets and actively engaged in the introduction of new products into other markets. These activities will prove mutually beneficial to those companies and our UK operations, particularly in the technological field and in the supply to the European automotive industry."

As reported on March 4, 1981, the profit of this foam, fibres and rubber products group fell from £8.93m to £7.11m, on turnover up by £15.4m to £88.7m.

Luis Gordon slumps to £50,000

WITH INTEREST charges up 38 per cent to £996,000, taxable profits of Luis Gordon Group declined from £475,000 to £50.000 for 1980 The company, which imports, bottles and distributes wines, sherries and spirits, is a subsidiary of Pedro Domecq International S.A.

The dividend for the year is being reduced from 1.5p to 0.5p net, absorbing £13,000 (£81,000) after waivers of £14,130 by the parent company in respect of its 52.33 per cent holding.

BIDS AND DEALS

£460,000 Bodycote purchase

BODYCOTE IN £457,000 DEAL

Another step has been taken by Bodycote International to implement its policy of strengthening and developing its metal treatment division.

Through its heat treatment subsidiary, Blandburgh, it has acquired from a subsidiary of GEC, previously known at Birlec, the assets of its contract heat treatment division at Aldridge, near Wolverhampton, which include freehold land (about 4.4 acres) and plant and machinery involved in mesh belt annealing, industion heat treatment, cooper brazing and other furnace heat treatments similar to those carried out by Blandburgh. Aggregate consideration was £457,001.

BARROW HEPBURN SWEDISH PURCHASE

Barrow Hepburn Group, through a Dutch subsidiary, has purchased the issued share capital of Up Sala Equip AB, for £57,500.

Sala is a Swedish company which manufactures and markets the NT Bala inertia reel safety block.

The vendor, Mr. Bo Jonson, will moke to the UK as Safety Equipment Marketing Director of the group.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. *Official indications are not available as to whether dividends are interims or finals.*

TODAY

Interims: Bluebird Confectionery, Emess Lighting, Ferry Pickering, Newman-Tonks, Scottish Cities Investment Trust, United Wire.

Finals: APV, Amcliffe, Charterhouse, Federated Land, Freemans (London SW9), Low and Bonar, Ocean Transport and Trading.

FUTURE DATES

Interims:—

Arenson (A.)	Apr. 21
Low (William)	Apr. 23
MTD (Mangula)	Apr. 7

Finals:—

Arcolectric	Apr. 2
Bank of Scotland	Apr. 14
Bifurcated Engineering	Apr. 8
Bunzl Pulp and Paper	Mar. 31
Christies International	Apr. 8
FC Finance	Mar. 31
Greenbank Industrial	Apr. 8
Ryan (L.)	Apr. 3
Sandhurst Marketing	May 7
Standard Chartered Bank	Apr. 7
Stewart Wrightson	Apr. 9
Tate of Leeds	Apr. 3

FT Share Information

The following securities have been added to the Share Information service:—

Gulfstream Resources (Oil and Gas), International Petroleum (Oil and Gas), Palliser Resources (Oil and Gas), Parkfield Foundries (Engineering).

SPAIN

1981 High	Low		Price %
296	251	Banco Bilbao	294
340	280	Banco Central	340
270	229	Banco Exterior	267
288	239	BancoHispano	288
129	120	Banco Ind. Cat.	129
348	284	Banco Santander	333
189	148	Banco Urquijo	184
320	263	Banco Vizcaya	316
252	204	Banco Zaragoza	230
150	82	Dragados	140
75	45	Espanola Zinc	75
59	55.5	Fecsa	58
35	22	Gal. Preciados	31
71	63.5	Hidrola	64
62.5	52	Iberduero	55
95	70	Petroleos	92.5
80	70	Petroliber	70
102	85	Sogefisa	85
63.5	60	Telefonica	61
66	60	Union Elect.	63.6

هكذا من الأصل

INTERNATIONAL BONDS — BY FRANCIS GHILES

Warsaw unsettles the nerves

THE D-mark and Swiss franc sectors of the Eurobond markets ended last week in deep uncertainty as fears of a deterioration of the situation in Poland spread across continental Europe.

D-mark foreign bonds declined by about ¾ of a point last week and Swiss franc bonds by an average of ¼ of a point. The falls were attributed mainly to the strength of the dollar and rising U.S. interest rates.

But, by Friday, dealers in Germany and Switzerland were looking nervously towards Warsaw. A deterioration of the political situation in Poland, they feared, would quickly spark a decline of the D-mark and Swiss franc on foreign exchange markets, bringing in its wake sharp falls in bond prices.

This uncertain outlook will make the task of the German Capital Markets Sub-committee, which meets on Wednesday, all the more delicate. German bankers say that a new issue calendar of DM 500m, which would include a large issue for the World Bank, has already been discounted.

Average foreign D-mark bond yields fell below the 10 per cent mark at one point last week and this helped the most recent, high coupon issues. The 10½ European Investment Bank bond to 1991 rose to 103-4 in the middle of the week, though it fell back later.

In the Swiss franc sector a steady flow of new issues continues, offering coupons unchanged from the level reached earlier this month.

Straight dollar bonds ended the week on a quiet note. The $100m issue for Chemical Bank was postponed as the indicated terms appeared to be out of line with what investors expected in a market where prices were deteriorating.

Of the four issues prices last week, the 12¾ per cent EIB tap issue to 1989 was cold shouldered by investors: it ended the week four points below its price of issue, at 90½ in the middle.

The $50m issue for Genstar put in a lacklustre performance, ending the week two points below its price of issue of 99. *The two other issues which* reached the market, for Finance for Industry and Southern California Edison had a much kinder reception. Of the recent batch of straight dollar issues, the 15½ per cent bond to 1986-88 for American Airlines, which was quoted on Friday at 99½-100 remains the most conspicuously successful.

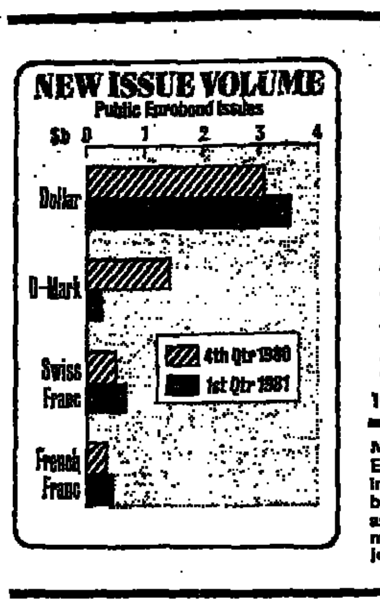
Dealers reported some good trading on some days last week, *particularly in issues launched* earlier this year. Swapping into U.S. Treasury bonds also continues. But the sharp rise in short term dollar rates — the six month dollar rate gained 1½ points to 15⅞ per cent last week — and the very heavy weight of new debt offerings in the U.S. are inducing a great sense of caution. In technical terms however, the market is in good shape, not least because, *unlike earlier in the year, there* is no great volume of unsold paper on dealers books.

Two new convertible dollar bonds were launched last week and good demand was immediately apparent for the 15-year Hospital Corporation of America bond.

Prices of seasoned sterling issues fell by an average of ⅛ *points during the week, and the* market was expecting a ¼ per cent rise in the indicated coupon *of 14 per cent offered by the* new Hiram Walker issue. The indicated coupon of 14¾ per cent on the £12m issue for Privatbanken was increased by ¼ per cent and the issue priced at 100½.

New issuing activity continues at a brisk pace in the French franc sector, where the 14¾ per cent coupon offered on the Swedish Export Credit issue was cut to 14¾ per cent. Initial reaction to the Air France issue was good.

The first ever Eurobond denominated in European Units of Account was announced by Kredietbank for the Italian state borrower, STET.



TOP LEAD MANAGERS IN THE EUROBOND MARKET

	Name	Amount $m
1	CSFB	610.0
2	Salomon Bros.	500.0
3	S. G. Warburg	376.8
4	CCF	363.5
5	Societe Generale	250.0
6	Hambros	212.0
7	Deutsche Bank	185.3
8	Goldman Sachs	150.0
9	Nomura	135.9
10	Paribus	116.4

NOTE—Includes all public issues of Eurobonds (excluding Foreign bonds in domestic markets) completed between January 1 and March 27. Full amount of each issue credited to lead manager or divided equally between joint lead managers.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
†Pemex	125	1991	10	6*	100	Manufacturers Hanover, CCF	6.690
†Finance for Industry	30	1986	4	14	100	S. G. Warburg, Merrill Lynch	14.000
‡EIB	75	1989	7	12¾	94½	CSFB, Deutsche Bnk.	13.985
Genstar	50	1991	8½	14¾	99	Soc. Gen. de Banque Orion	14.940
‡Sthrn. Californian Edison Fin. Co. NV	50	1987	6	14	98½	CSFB	14.390
‡Chemical NY NV	100	1988	7	13⅞-⅛	*	CSFB	
††United Mexican States	100	1988	7	*	*	Morgan Stanley	
‡Hitachi	100	1996	11½	6-¾	100	Morgan Stanley	
§Hospital Cv. Cap. NV	60	1996	15	8½-9	100	Salomon Bros.	
D-MARKS							
‡Asian Develpmt. Bnk.	100	1991	10	10	100½	Deutsche Bank	9.915
FRENCH FRANCS							
‡Swedish Export Credit Corp.	250	1986	4	14¾	100	CCF	14.625
Air France	200	1986	5	14¾	*	BUE	
SWISS FRANCS							
‡Compagnie Francaises des Petroles	80	1991	—	6½	100	Credit Suisse	6.500
‡**§Mitsui OSK	100	1986	—	4¾	100	SBC	4.750
IADB	100	1991	—	7	100	SBC	7.000
Aeroport de Paris	60	1991	—	6½	100	CCF (Suisse)	6.500
Swedish Export Credit Corp.	75	1991	—	7½	99¼	Soditic	7.322
STERLING							
‡Privatbanken	12	1988	7	14¾	100½	Hambros	14.441
Hiram Walker Hldgs.	25	1986	5	14	*	S. G. Warburg	
ECU							
SOFTE (g'teed STET)	25	1987	6	13	100	Kredietbank Intl.	13.000

* Not yet priced. § Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‡ Postponed. Note: Yields are calculated on AIBD basis.

CREDITS — BY PETER MONTAGNON

Ivory Coast opts for SDR loan

THE ROLE of the Special Drawing Right (SDR) in the syndicated market is steadily growing. Hard on the heels of the $1.4bn credit for Sweden, the Ivory Coast has launched a $250m loan, part of which is also denominated in the International Monetary Fund currency unit.

Led as expected by Chase Manhattan, the eight-year credit is in two tranches: one is a $150m credit at a margin of ⅞ per cent over London interbank offered rate for the first three years rising to 1⅛ per cent thereafter and the other a $100m equivalent credit in SDRs at a flat margin of 1¼ per cent. *This will be the first credit for a developing country to embody such a tranche.*

Officials at Chase say it should be attractive to the borrower because the SDR offers lower interest rates than the U.S. dollar, which has also been rising on exchange markets recently.

As the Ivory Coast conducts a significant portion of its trade with countries other than the U.S. whose currencies figure in the SDR basket, the exchange risk is considerably less than that entailed in borrowing purely in dollars.

But Chase has also tried to develop a simpler formula for calculating the interest rate than that used in the Swedish credit in order to encourage the participation of banks that do not have ready access to deposits denominated in SDRs.

The margin on the SDR tranche is applied over what is called the London interbank offered rate for SDRs, but as there is still no interbank trading in SDRs as such any rate quoted is artificial.

To calculate the rate for the Swedish credit, lead manager Morgan Guaranty used the forward foreign exchange markets to work out a forward discount *for SDRs against U.S. dollars.* The cash value of the discount was recalculated in terms of an annual interest differential, which was then subtracted from the rate applied to U.S. dollar Eurodeposits, to give an interest rate on SDRs.

But in practice, speculative trading at times of extreme currency volatility can push the forward exchange rate of a *given currency out of line with* the level dictated purely by its interest rate differential with dollars. This meant that banks participating in the Swedish credit which had no access to SDR deposits had to fund the credit with dollars that were similarly hedged in the foreign exchange market, a complicated and possibly costly procedure.

For the Ivory Coast loan, Chase has decided to set the SDR interest rate on a weighted average of the Eurodeposit rates for the component currencies of the SDR—dollars, D-marks, sterling, French francs and yen. This will allow banks *to fund the credit by borrowing* these currencies in the Eurodeposit markets directly. The foreign exchange element is considerably less complicated and the formula should appeal particularly to non-dollar based banks. The rate will be set by reference to rates quoted in the *market by five leading international banks.*

Elsewhere, Chase has also won a mandate for a $500m credit for Denmark. The eight-year loan bears a margin of ⅝ per cent for the first five years, rising to ¾ per cent thereafter. *Repayments begin after a grace* period of five years.

Mandates for a number of *other major credits were, however, still awaited at the end of* last week. These included $400m for Greece, $500m for Portugal and $350m for the Spanish state holding company, INI.

In Spain, syndication is expected to begin shortly of the C$150m nine-year credit being arranged for the state railways, Renfe, by Bank of Montreal with a split ⅜-½ per cent margin over Canadian prime rate.

U.S. BONDS — BY PAUL BETTS

Rates rise halts the rally

THE bond market is back on the see-saw which shook it up and down all last year. After a five-week rally, signs that short-term interest rates are moving *up again has wiped out some of the optimism* which had been developing earlier this month.

Despite the latest decline in index of leading economic indicators and the larger than expected decrease in the latest weekly money supply data, the overall outlook looks increasingly uncomfortable, not *only for Federal Reserve policy but for money growth, credit* demand, the economy, and inflation.

Some of the worries are likely to be further fuelled next week by the release of economic data, including factory orders, construction spending, March employment and wholesale prices, which could confirm the resilience and strong inflationary pressures in the economy as a whole.

"Moreover, Wall Street economists are now forecasting an acceleration in money growth next month which is likely to *prompt a firmer stance from* the Federal Reserve. As it happens, what worried the market in particular last week were indications that the Fed's monetary policies have been far more firm than the market had expected.

With a general drift in short-term interest rates since the new year, *the impression that the Fed was* trying to keep its funds rate in a 12-14 per cent range. But the Fed funds rate reversed last week and rose to more than 15 per cent compared with a daily average of 13.5 per cent the week before.

Next Tuesday, the Federal Open Market Committee, which sets the Fed's day to day *management policy of the market,* will meet and, according to Mr. Phillip Braverman, of Chase Manhattan, *the Fed is likely to hold to its present posture,* "ruling out any easing as inappropriate in the current environment."

Pressure on rates is expected to continue from the heavy volume of corporate and municipal bond offers, coupled with the Treasury's insatiable borrowing appetite. This month alone, corporate offerings have totalled $3.5bn, with more than 60 per cent made up by medium and convertible issues. A substantial calendar of new issues is also expected in April.

In the government sector, the market had difficulty in absorbing *last week some $9.5bn of* new Treasury issue. The Treasury sold a new 13½ per cent *20-year bond on Thursday at* an average yield of 13.21 per cent—the highest for a new Treasury issue maturing in more than 10 years. In January a similar 20-year bond issue was sold at an average yield of 11.82 per cent.

Record or near record yields now available for Treasury and corporate bonds, are a further *sign of the market's deep worry* about the future direction of interest rates.

In the corporate sector, for example, Tenneco's $200m offering of 25-year debentures was priced to yield 14.75 per cent to maturity. Last year Tenneco sold a similar offering at a yield of 13.2 per cent.

According to Salomon *Brothers, Organisation of Petroleum Exporting Countries investors have continued to be* extremely active buyers of U.S. Treasury securities, attracted by the strong dollar and high interest rates. Total OPEC holdings of U.S. Government securities rose 62 per cent last year to $25bn, with most of OPEC purchasing directed towards *extending maturities.* Salomon added that these purchases have been continuing at an even faster pace this year.

The market was also excited last week by speculation over a possible debt offering by IBM whose first and only public debt offering was a $1bn sale of notes and debentures in October 1979.

U.S. INTEREST RATES (%)

	Week to March 27	Week to March 20
Fed funds wkly avge	14.39	13.52
3-month Treas. bill	12.95	12.45
3-month CD	13.95	13.05
Treas. 20-year bond	12.88	12.78
AAA Utility	14.75	14.13
AA Industrial	14.00	13.38

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	96½	97	0	−0⅛	13.99
CECA 11½ 88	100	88½	89	0	−1⅛	14.08
CNE 12¾ 91	100	97⅞	93⅜	+0⅛	−0⅛	14.06
Citicorp O/S Fin. 10 86	300	85⅛	85⅝	−0⅛	−2	14.08
Citicorp O/S Fin. 12 87	200	91½	92	0	−1⅛	13.96
Con. Illinois O/S 9¾ 85	150	84	84½	+0⅛	−1⅛	14.18
Denmark 11⅞ 90	100	85⅝	86¼	0	−1⅛	14.62
Dupont Canada 13½ 91	65	96⅜	96⅞	0	−0⅛	14.14
EEC 11 95 (May)	75	81	81½	0	−0⅞	14.12
EEC 11 95 (August)	70	79¾	80¼	0	+0⅛	14.28
EIB 13¾ 90	100	97¾	98¼	+0⅛	−0⅛	14.16
Eksportfinans 9½ 87	75	82	82½	+0⅛	−1⅛	13.57
Eldorado 13¾ 86	60	96⅛	96⅝	+0⅛	−0⅛	14.77
Elec. de France 10 88	125	82½	93	−0⅛	−1⅛	13.89
Elec. de France 13 88	125	95½	96	+0⅛	−1⅛	13.98
Export Dv. Con. 12¾ 87	100	95	95½	−0⅛	−0⅛	13.93
Export Dv. Cpn. 9½ 86	150	83¾	84¼	0	−1⅛	14.30
Fed. Bs. D. 12¾ 85 (N)	50	93½	94	0	−1	14.12
Fin. Exp. Credit 10½ 85	50	86⅞	87⅜	+0⅛	−0⅞	14.73
Finland, Rep. of 9½ 86	100	82¼	82¾	0	−0⅛	14.74
Ford Credit O/S 14¾ 83	150	98⅛	98⅝	−0⅛	−0⅛	15.00
Ford Cr. O/S Fin. 16 84	150	103	103½	−0⅛	−1	14.49
Gaz de France 13½ 86	80	97⅝	98⅛	0	−1⅛	14.02
GMAC O/S Fin. 12 87	100	89⅞	90⅜	−0½	−1⅛	14.39
GMAC O/S Fin. 12⅞ 88	100	92⅜	92⅞	−0⅛	−1⅛	14.62
Gen. Mtrs. O/S 11¾ 87	100	89¼	89¾	+0⅛	−0⅞	14.27
GTE Fin. 13¾ 88 (WW)	50	98⅛	99⅛	−0⅛	−0⅛	14.04
Hudson's Bay 11½ 90	75	85⅝	86⅛	0	−1⅛	14.33
IBM Wld. Trade 12½ 88	200	95⅜	95⅞	−0⅛	−1⅛	13.49
Newfoundland 13½ 90	60	96⅛	96⅝	0	−0⅛	14.72
Nova Scotia 10¾ 90	50	82¼	92¾	−0⅛	−1⅛	14.23
OKB 10 85	50	88	88½	−0⅛	−0⅛	13.75
Ontario Hydro 13½ 91	100	96⅜	96⅞	0	−0⅛	14.13
Quebec Hydro 11½ 92	100	84½	85	0	−0⅛	14.28
Queb. Hy. 13 91 (WW)	100	93½	94	0	0	14.19
Roylease 11¾ 85	50	90⅝	91⅛	0	−1⅛	14.23
SNCF 12¾ 85	50	96⅜	96⅞	−0⅛	−1⅛	13.80
SNCF 13 91	75	94	94½	−0⅛	−1⅛	14.10
Sven Handelsbk 13¾ 88	45	95⅞	96⅜	0	−0⅞	14.66
Sweden 12¾ 85	150	94⅛	95⅛	+0⅛	−0⅛	13.93
Swed. Ex. Credit 12 83	50	94	94½	+0⅛	−0⅛	14.80
Swed. Ex. Credit 13 86	75	95	95½	0	−0⅛	14.40
Tribune O/S Fin. 14 86	50	98⅜	98⅞	0	−0⅛	14.47
World Bank 9¾ 85	200	87⅛	87⅝	0	−1⅛	13.82
World Bank 10¾ 87	300	85⅛	85⅝	−0⅛	−1	13.85

Average price changes... On day 0 on week −1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asia Dev. Bk. 8½ 90	100	90½	91	0	−0⅛	9.92
Australia 8¾ 90	250	94⅛	94⅝	+0⅛	−0⅛	9.05
Austria, Rep. of 8¾ 92	150	88⅞	89⅜	0	−0⅛	9.84
BFCE 8½ 96	100	87⅛	88	0	+0⅛	9.79
CECA 7⅞ 92	150	87½	88⅛	−0⅛	−0⅛	9.66
CII-Honeywell 8¾ 90	125	91⅜	91⅞	+0⅛	−0⅛	9.79
Denmark 8¾ 92	100	88⅛	89⅛	−0⅛	−0⅛	9.87
EIB 8½ 90	200	91⅜	91⅞	−0⅛	−1⅛	9.90
ESCOM 9¾ 87	100	93⅞	94⅜	+0⅛	+2½	10.48
Iberduero SA 9 90	100	91½	92¼	+0⅛	−0⅛	10.38
Ind. Bk. Finland 8½ 90	50	90⅝	91	−0⅛	−0⅛	10.05
Japan Air Lines 8¾ 87	100	92⅜	93⅛	−0⅛	−0⅛	9.55
Japan Dev. Bank 7¾ 87	100	90½	90⅞	0	−0⅛	9.66
Kobe, City of 8 90	100	89⅛	90	−0⅛	−1⅛	9.74
Midland Int. Fin. 8½ 90	100	92⅝	93⅛	−0⅛	−1⅛	9.64
Norway 7½ 85	250	93⅝	94⅛	0	−0⅛	9.43
Nuclebras 9¾ 88	100	88⅛	89⅜	+0⅛	+1	12.12
OKB 8¾ 92	150	89⅜	90⅛	−0⅛	−0⅛	9.78
Oslo, City of 8¾ 90	80	96⅛	96⅝	0	−0⅛	9.34
Venezuela, R. of 9¾ 90	150	94⅛	95	+0⅛	+0⅛	10.65
World Bank 8 90	700	88⅛	88⅞	0	−1⅛	9.93
World Bank 10 86	150	102⅞	103⅜	−0⅛	−0½	9.16
World Bank 10 90	200	102	102½	−0⅛	−1	9.59

Average price changes On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Rep. of 5¾ 90	100	92⅜	93⅛	−0½	+0⅛	6.38
BFCE 6½ 91	100	100½	100⅞	−0⅛	−1⅛	6.41
Bayer Int. Fin. 5¾ 92	100	†91	91½	0	−1	6.24
Bergen, City of 6 90	50	97⅛	97½	−0⅛	+0⅛	6.38
Ruhrm'n-Tetterode 7 90	40	101½	101⅞	−0⅛	+0½	6.75
Copenhagen Tele 5¾ 90	60	†91½	92	0	0	6.98
Denmark 5¾ 90	80	91⅝	91⅞	−0⅛	+0½	6.98
Dome Petroleum 5¾ 91	100	94⅛	94⅞	−0⅛	+0⅛	6.48
Elec. de France 5¾ 90	100	92⅛	92⅝	−0⅛	−1⅛	6.30
Eurofima 5¾ 92	80	†99½	100	0	0	5.78
F. G. H. Hypo. Bk. 6 90	80	†95½	96	−0⅛	−0⅛	6.63
Finland, Rep. of 5⅞ 90	80	†91	92	+0⅛	+0⅛	6.88
Int.-Amer. Dev. 7 90	80	100	100½	−0⅛	−1⅛	6.98
Japan Dev. Bank 5¾ 90	100	93⅞	94⅛	−0⅛	−1	6.61
Jutland Tele. 5½ 90	50	90⅝	91	+0⅛	+0½	6.91
Mt. Blanc Tunnel 5½ 90	80	†92½	93	0	0	6.55
Newag 5¾ 90	80	93	93½	−0⅛	−1⅛	6.77
Norges Komm. 4¾ 91	100	83⅞	84⅛	0	−0⅛	6.52
OKB 6 90	100	95½	96	−0⅛	−1	6.64
Oslo, City of 4¾ 91	100	81⅛	81⅝	0	−0⅛	6.89
Oslo, City of 5¾ 90	80	†94	94½	0	+0⅛	6.70
Philips Lamps 5¾ 92	100	90⅝	91	+0⅛	+0½	6.40
Sekisui Pre. Hms. 6 90	80	97⅛	98	−0⅛	+0⅛	6.30
Trade Dev. Fin. 6¾ 90	50	98⅛	98½	+0½	+0⅛	6.65
Voest-Alpine 5¾ 90	80	†93	93½	−0⅛	−1⅛	6.73
World Bank 6 91	100	95⅛	95½	0	0	6.65

Average price changes.. On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	93½	94⅛	0	+0⅛	8.40
Australia 6½ 88	20	87⅛	88¼	0	0	8.91
EIB 7¾ 89	12	93⅛	94⅛	0	0	8.84
Finland 5.6 83	10	92½	93½	+0⅛	+0⅛	8.69
Finland 6.8 88	10	87⅛	88⅛	0	+0½	9.13
Finland, Rep. of 6¾ 87	15	97⅛	98⅛	+0½	+0⅛	8.82

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	90⅞	91⅜	+0⅛	−0⅛	13.03
CIBC 13½ 85 C$	50	97½	98¼	0	−0½	14.18
CIBC 11½ 85 C$	60	91⅛	91⅞	0	−0⅛	14.22
Federal Dev. 11½ 90 C$	60	†85	86	0	−1	14.39
Fst. Can. Inv. 10 84 C$	50	†88¼	89	+0⅛	−1	14.76
R. Bk. Canada 10 86 C$	40	91	92	0	−0⅛	12.31
Tordom Cpn. 13½ 85 C$	30	†97⅛	98½	−0⅛	−0½	14.09
M. Bk. Dnmk. 9 91 EUA	25	90½	91½	−0½	−0⅛	10.42
SOFTE 8¼ 89 EUA	40	86⅛	87¾	0	+1⅛	10.69
U. Bk. Nrwy. 9½ 90 EUA	18	97¼	98¼	0	+0⅛	9.89
Algemene Bk. 10¾ 86 Fl	60	96½	96⅞	−0⅛	−0⅛	11.20
Bk. Mees & H. 10 85 Fl	75	96⅞	97¼	−0½	−1	10.87
Heineken NV 10 87 Fl	100	95	95½	−0⅛	−1⅛	11.06
Nat. Nedrlndn. 10 88 Fl	60	94¼	94¾	−0⅛	−0⅛	11.18
Ned. Midd. Bk. 10 85 Fl	75	98⅛	98⅝	−0⅛	−0⅛	10.40
Pierson 10¾ 86 Fl	50	98⅜	98⅞	+0⅛	−0⅛	10.68
Aero Paris 13¾ 87 FFr	150	93¾	94¼	+0⅛	−0⅛	14.51
Charb'nages 13⅞ 85 FFr	400	98⅞	99⅜	0	−0⅛	14.16
CECA 14¾ 86 FFr	150	99½	100½	0	−0⅞	14.25
EIB 14½ 88 FFr	300	98¼	99¼	0	−0½	14.39
Gaz de France 11 84 FFr	150	91½	92½	0	−0⅛	13.91
La Redoute 14¾ 85 FFr	125	95½	96½	0	−0½	15.57
OKB 14 86 FFr	400	98⅛	99⅛	0	−0½	14.23
Solvay et Cie 14¾ 86 FFr	200	102¼	103¼	−0⅛	−0⅛	13.97
Utd. Mex. Sts. 14 85 FFr	150	96⅜	97⅜	+0½	−0⅛	14.88
Acona 14 85 £	20	95⅜	96⅜	0	0	15.19
Beneficial 14¾ 90 £	20	93⅛	94	−0⅛	−0½	16.52
BNP 13½ 91 £	15	96	96½	−0⅛	−0⅛	14.18
CECA 13½ 88 £	20	96⅛	97	+0⅛	−0⅛	14.21
Citicorp O/S 13½ 90 £	50	95⅞	96⅜	+0⅛	−0⅛	14.25
Fin. for Ind. 14½ 88 £	20	99⅛	99⅞	−0⅛	−0⅛	14.57
Fin. for Ind. 13¾ 87 £	20	97⅞	98⅜	+0⅛	−0⅛	14.15
Gen. Elec. Co. 12¾ 89 £	50	93⅞	94⅜	0	−0⅞	13.73
Peugeot SA 14 90 £	23	94⅞	95⅜	+0⅛	−0⅛	14.98
Rothschild 14¾ 90 £	12	97⅜	98⅛	0	−0⅛	14.66
Royal Trustco 14 86 £	12	99⅜	100⅛	0	−0⅛	14.06
Swed. Ex. Cr. 15¾ 85 £	20	102⅜	103⅛	0	−0⅛	14.29
Banobras 8¾ 90 KD	7	†89½	90	0	0	10.02
CCCE 8½ 91 KD	10	†82½	83	0	0	11.07
Sonatrach 8½ 90 KD	12	†92	92½	0	0	9.83
Akzo 9¾ 87 LuxFr	500	86⅛	87½	−1⅛	−1⅛	12.21
Euratom 9¾ 88 LuxFr	500	90⅞	91⅞	−0⅛	−0⅛	11.64
Eurofima 10½ 87 LuxFr	500	94⅞	95⅞	−0⅛	−0½	11.51
EIB 9¾ 88 LuxFr	600	90⅜	91⅜	−0⅛	−0⅛	11.66
Volvo 9¾ 87 LuxFr	500	88⅜	89⅜	−0⅛	−0⅛	12.28

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0⅛	99⅛	99⅝	2/7	16⅛	16.73
Bank of Montreal 5¾ 90	0⅛	99⅜	100⅛	18/6	19½	19.50
Bank of Tokyo 5¾ 89	‡0⅛	98⅞	99⅜	25/4	19.31	19.51
BBL Int. 5 86	0⅛	99⅛	99⅝	20/5	16½	16.60
Bergen Bk. A/S 6 89	‡0⅛	†98⅞	99⅜	29/5	17⅛	17.32
BNP 5½ 88	‡0⅛	99⅜	99⅞	29/4	18.69	18.76
CNT 5¾ 86	§0⅛	99⅜	99⅞	16/4	13⅛	13.30
Christiania Bk. 5½ 91	‡0⅛	97⅝	98⅛	5/5	17⅝	18.11
Citicorp O/S F. 84	‡0	99	99½	31/3	16.81	16.94
C. Itoh 5¾ 87	0⅛	98⅜	99⅛	18/9	15.44	15.59
Co-operative Bk. 6 88	0⅛	97⅝	98⅛	15/5	15⅛	15.58
Den Norske Credit 6 90	‡0⅛	98⅛	98⅝	5/5	17⅝	18.02
Genfinance 5¾ 87	0⅛	99	99½	30/4	15⅛	15.24
Giro und Bank 5¾ 91	‡0⅛	97⅝	98⅛	23/6	14.06	14.37
GZB 5¾ 89	‡0⅛	98⅜	99⅛	1/5	17⅞	18.06
Ind. Bank Japan 5¾ 87	0⅛	98⅞	99⅜	15/4	13.31	13.43
Ind. Bank Japan 5¾ 88	0⅛	98⅝	99⅛	9/4	13⅛	13.27
Lloyds Eurofin 8 90 £	0⅛	96⅞	97⅜	3/7	14½	14.93
Lloyds Eurofin 5¾ 92	0⅛	98⅞	99⅜	4/6	17⅛	17.40
LTCB Japan 5¾ 88	0⅛	100	100½	13/5	20.19	20.14
Man. Hanov. O/S 5¾ 94	‡0⅛	98⅝	99⅛	30/5	17	17.22
Midland Intl. Fin. 5¾ 92	0⅛	98⅞	99⅜	5/6	17.19	17.34
Nacional Fin. 6¾ 86	0⅛	99⅜	99⅞	25/7	17⅛	17.82
Nacional Fin. 6½ 88	0⅛	98⅛	98⅝	25/9	14⅞	15.10
Nat. West. 5¾ 94	§0⅛	97⅞	98⅜	14/4	13⅛	13.59
Nat. West. 5¾ 92	§0⅛	97⅞	98⅜	23/4	13.69	13.96
Nippon Credit 5¾ 87	‡0⅛	99⅝	100⅛	8/5	17.44	17.48
Sparebanken 6 87	0⅛	99½	100	19/6	19⅞	19.92
Standard Chart. 5¾ 90	0⅛	99⅝	100⅛	3/9	17.08	17.08
Svenska Hndlsbk. 5 87	0⅛	99⅝	100⅛	15/7	17.81	17.83
Bq. Ex. d'Alg. 4¾ 88 SF	0⅛	†90	90½	18/6	7½	8.31

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	97⅛	98⅛	−0½	27.41
Canon 6¾ 95	1/81	829	119⅞	120⅞	−2	−0.46
Credit Suisse 4¾ 93	10/79	1278	99	100	−0½	−0.91
Digicon Fin. 8½ 95	10/81	29.5	†104	106	−0⅛	7.74
Hanson O/S Fin. 9½ 95	1/81	1.92	123	124½	−1	−2.70
Ina Overseas 8¾ 2000	4/81	42	†105½	107	−3	5.00
Inchcape Ltd. 8 95	2/81	4.65	97	98	−0⅛	1.40
Jaccs 7½ 95	11/80	585	135½	136½	+2½	6.28
Kotobukiya Co. 7 96	4/81	619	101¼	102¼	−0⅛	−4.94
Marion Int. Fin. 9 95	12/80	15.5	†87⅛	88¼	+0⅛	22.31
Matsushita El. 7½ 95	11/80	590	115⅛	116⅛	+2½	4.67
MEPC 8¾ 96	2/81	2.47	101	102½	+0⅛	9.46
Niigata Eng. 7½ 96	1/81	327	105⅛	106⅛	+2½	5.90
Nissho-Iwai Co. 8 96	10/80	398	93	94	−0⅛	−0.69
Ricoh 6¾ 95	8/80	604	121⅛	122⅛	+0⅛	0.98
Sumitomo M. Ind. 7 95	2/81	181	118½	119½	+3⅛	6.90
Swiss Bk. Cpn. 6¾ 90	9/80	200	83	85	0	12.73
Taylor Woodrow 8¾ 90	1/81	4.94	105½	106½	−0⅛	0.10
Transco Int. 8¾ 95	2/81	68	†89½	91	−0⅛	31.27
Tricorp 8½ 95	12/80	31.25	†89½	90½	+0⅛	14.80
Union Bk. Switz. 5 89	2/80	121.4	82½	84	−0½	−14.30
Fujitsu 5 84 DM	7/79	431.5	143	144	+8½	2.52
Sharp Cpn. 6½ 88 DM	9/80	585	162½	163½	+5	−0.38
Uny Co. 6½ 85 DM	11/79	879.3	103½	104½	0	1.57

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,516.8	4,161.9
Previous week	1,451.3	2,792.6
Other bonds		
Last week	590.2	584.5
Previous week	695.9	526.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 27

Building and Civil Engineering

£58m Taylor Woodrow contracts

THREE contracts with a total value of £58m have been won in Nigeria by Taylor Woodrow.

Largest of them is the £40m Kano East River irrigation scheme awarded by Hadejia Jama'are River Basin Development Authority. Completion is scheduled for June 1984.

The work involves the design and construction of irrigation canals and a drainage system with land preparation to provide irrigation facilities for 16,500 acres of agricultural land for growing crops such as guinea corn, tomatoes and ground nuts. Water for the scheme will be taken from the Tiga Dam.

The second contract is for road work. Awarded by the Federal Ministry of Works, it is valued at £10m and involves the rehabilitation and asphalt surfacing of an 88 kilometre section of the Jimeta-Bama Road.

A new quarry is to be opened near Madagli, at the northern end of the road, to provide 175,000 tons of crushed stone for pavement repairs and to produce 100,000 tons of asphalt for the road surface.

The third contract, worth £8m has been awarded by the Kano State Urban Development Board. It is for the design and construction of roads, a storm water drainage system and water mains, and street lighting on a 112 hectare commercial estate adjacent to the Zaria Road, south of Kano City. Work is already underway with completion due by September 1982.

Work at home and overseas

CONTRACTS worth more than £5m have been awarded to George Wimpey companies. Under the largest, valued at £2.7m, Wimpey International will build the Maqalika Dam near Maseru, capital of Lesotho, for the Lesotho Ministry of Water, Energy and Mining. The work is being undertaken by Lesotho International Construction (Pty.), a joint company of Wimpey International, in partnership with the National Development Corporation of Lesotho.

The structure is a 23 metre high earthfill dam with a group curtain, a spillway draw-off tower and a culvert. The contract includes a river intake and pumping station with a 300 mm diameter pipeline about 700 metres long. The consulting engineers are Binnie and Partners, Lesotho.

At North Shoebury, Essex, a 5,050 sq metre single-storey store valued at more than £2m is to be built by Wimpey Construction UK for Associated Dairies Group. The contract also covers the building of seven sub-let shops in a 860 sq metre steel-framed block and a petrol filling station, drainage and roads. Completion is due next December.

Refurbishing job in the City

EXTENSIVE refurbishment and rebuilding of Finsbury House, 22-23 Blomfield Street, London EC2, will be carried out by Costain Construction under a £3.5m contract awarded by the Corporation of the City of London. Work is due to start in May and to be completed in mid-1983.

The refurbishment has been designed by P. E. Williams and E. M. Walker, staff architects to Richard Ellis, and the project will be managed by the City Surveyor to the Corporation of London. The scheme retains the two principal elevations of Finsbury House to Blomfield Street and Finsbury Circus, which are listed as Grade 2. The third elevation of the triangular building, which faces a light court, is to be replaced with a new curtain wall.

The refurbishment will provide 30,000 sq. ft of net floor area, compared with the present 26,226 sq. ft., by the use of the curtain wall, a new mezzanine floor, an extended fifth floor, and the better use of the internal areas.

When completed the property will provide office accommodation on basement, ground and five upper floors. Letting will begin soon through Richard Ellis in association with the City of London Corporation.

£5m awards to R. M. Douglas

ORDERS totalling more than £5m have been received by R. M. Douglas Construction. The largest is for factories at Waltham Abbey for Bryant Samuel (NEE) valued £1.6m. Others include factories at Bury, Denton, Widnes and Wigan for the English Industrial Estates Corporation (£1.5m); an advance factory for Aycliff Development Corporation (£878,000); a primary school at Murieston for Lothian Regional Council (£694,000); and site development at the Alcan aluminium plant, Rogerstone, near Newport, Gwent, for the Welsh Development Agency (£483,000).

Road work in Nepal

CONSULTING engineers and transportation planners Scott Wilson Kirkpatrick and Partners has been appointed by the Overseas Development Administration to advise the Nepalese Government on road communications in the Kosi Hills area of Eastern Nepal.

The main project for the next 18 months will be the construction of a 13 km long road linking Dhankuta with Hile. A road to Dhankuta, at present only accessible on foot, is currently under construction by the UK Property Services Agency. The construction of the Dhankuta to Hile road will be accomplished by labour-intensive methods, say the engineers, and will provide considerable employment to the local population.

Fairclough gets spread of work

A TOTAL of more than £5.5m in new contracts has been awarded to Fairclough Building for work in Yorkshire, the North East, and South Wales. The largest, worth £1.9m, is for a store and offices in Albion Place, Leeds, where the interior of a former church institute and an old office building will be demolished to make way for a development financed by Electricity Supply Nominees (Scotland). The Victorian façade of the existing buildings will be preserved.

The work is expected to take about 76 weeks. The architects and consulting engineers are Hadfield Cawkwell Davidson and Partners, Sheffield.

At Barnsley an order, worth £1.45m, is for an 860 square metre store in Shambles Street, with parking for 235 cars on two levels, for Simco Supermarkets. Completion is due next September. The architects are S. J. Durrant and Partners.

On the Crowther Industrial Estate, Washington New Town, Fairclough is building 39 factory units, to be leased to small firms, for Barclays Bank. Work on the £1.1m project began last month and is expected to take 39 weeks. Washington Development Corporation is responsible for the design and engineering.

In South Wales two contracts together valued at more than £1m have been started. At Ebbw Vale an £845,000 single-storey extension is being added to the factory of Merryweather and Sons for the Welsh Development Agency. It will be leased to Merryweather. The architects are H. M. R. Burgess and Partners and the consulting engineers Bingham Blades and Partners.

Fairclough is also improving 40 council houses at Llanerch, Bonymaen, under a £200,000 contract for Swansea Borough Council.

Start made on office block

BOVIS Construction is the management contractor for the building of a five-storey office block at the corner of Garrard Street and Merchants Place, Reading, under a £3.1m contract awarded by Audley Properties. The building, which will provide about 40,000 sq. ft. of air-conditioned offices, will be steel-framed with Holorib steel floors topped with concrete. The cladding will be of pre-cast brick-faced concrete panels with brick cladding.

Work has already begun and completion is due in June next year. The architects are Barton Willmore and Partners and the structural engineers Bunyan Meyer and Partners.

Last week we reported that Bovis was carrying out a £460,000 refurbishment contract for the Royal Liver Building Society. It should, of course, be the Royal Liver Friendly Society.

Factories to be built

REMODELLING and part construction of an industrial estate on Merseyside for the English Industrial Estates Corporation is to be carried out by McTay Construction, Merseyside, under a contract worth £2.45m. Completion is scheduled for April next year, when a large part of the estate will be relet.

Architects are Associated Design Consultants and the quantity surveyors are E. C. Harris and Partners, who are providing full pre-contract and post-contract services for the project.

The existing buildings on the estate are now occupied by Kelco, a manufacturer of refrigerators which formerly traded under the name of Kelvinator. Kelco will retain 130,000 sq. ft. in the main production building in addition to the 10,735 sq. ft. office block. The remainder of the factory will be partly demolished and partly refurbished to provide two terraces of 58,255 sq. ft. each divided into six factory units with road access and car parking.

Building on a previously undeveloped part of the site will include two more terraces of factories in two blocks providing 12 units totalling 41,313 sq. ft.

£1m worth for John Laing

A UNIVERSITY of Manchester squash centre is to be built and flats in Manchester and Macclesfield will be improved under three contracts together worth more than £1m awarded to the North West Region of John Laing Construction. Modernisation and repairs to 78 walk-up flats in eight three-storey blocks are being carried out for Manchester City Council in a £625,000 project at Studland Road, Sharston. It includes improving kitchens and installing central heating. Completion is due in December.

At the University's Institute of Science and Technology a six-court squash centre with changing rooms will be built under a £264,000 contract. Construction will be of brick with a steel-framed roof and the project includes an outdoor training pitch. Completion is due in October. The architects are Faulkner, Brown, Hendy Watkinson Stonor.

The third contract, worth about £150,000, awarded by Macclesfield Borough Council, is for repairs and improvements to the communal flats at the Victoria Park Estate, Buxton Road. Completion is due within nine months.

Structures by Bison

THE PRE-CAST concrete structure of the bedrooms in a new hotel in Plymouth being built for Novotel, a French company, will be provided by Bison Concrete under a £350,000 contract due for completion in 16 weeks. Bison is a specialist sub-contractor to Wimpey Construction.

Bison is also supplying precast concrete structures valued at £462,000, for an archives block and a 340-space multi-storey car park at the administrative headquarters of Gwynedd County Council near Caernarfon Castle. The block will be a three-storey building of 1,000 sq metres with precast columns, beams and floors. The frame of the archives block has already been completed, while the car park is due for completion by the end of July.

Improvements by Lelliott

OVER £2m worth of refurbishment work in London is being undertaken by John Lelliott.

On April 13 the company is to start refurbishment and extension of the ground and four upper floors of Tachbrook House in Vauxhall Bridge Road, SW1. This contract has been awarded by London Midland Associated Property and is worth £839,000. Hillier Parker May & Rowden are the architects.

At 20 Grosvenor Hill, W1 Lelliott is carrying out some demolition and stripping-out of partitions before constructing a new ground floor entrance and refurbishing offices on the first floor. Value of this contract is £247,000. A third job (worth £125,000) is for the conversion of a single storey garage in Colville Street, W3 into a bakery for St Martin's Bakery.

In Trafalgar Square, at Canada House, SW1, Lelliott has been awarded a £414,000 contract by the Canadian High Commission to carry out upgrading and refurbishment, while already underway is the replanning and enlarging of Barclays Bank at Great Cumberland Place, W1. This contract, valued at around £500,000 is due for completion in 13 months.

Work at J. Sainsbury shops

CONTRACTS totalling about £1.2m have been awarded to Rattee and Kett, a Mowlem Group subsidiary, by J. Sainsbury for work at Harlow and Bishops Stortford, Essex. At Harlow a £1m contract to fit out the new store at the Harvey Centre development, now under construction, will provide a 44,500 sq. ft. supermarket and ancillary accommodation on two floors. The work is expected to take six months.

At Bishops Stortford the contract, worth about £200,000, covers a second phase of improvements totalling £750,000 at the Sainsbury store in South Street.

Materials and merchants

LONDON stockbrokers E. B. Savory, Milln & Co. have just launched the thirteenth in their series of Building Books and supplements, the first of which was published in 1968.

This year's volume concentrates on building materials producers and builders' merchants with an edition on contractors and plant hire companies to follow in twelve months' time.

Covering 33 companies in 238 pages, the book provides a wealth of detail. For example, Blue Circle Industries, formerly Associated Portland Cement Manufacturers, is reviewed over 16 pages including statistics on annual average fuel prices, UK direct deliveries of cement broken down by site destination, industry market shares and prices.

The book is designed for Savory Milln's clients but at the firm's own discretion it may be made available to other interested parties in a package comprising the book, the bulletin and an accompanying supplement on company operating statistics and ratios at a price of £100.

Northgate House, 20 Moorgate, London EC2R 6AQ. Tel. 01-606 4477.

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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Car-makers move to plastic bodies

BY JOHN GRIFFITHS

PEUGEOT EXPECTS 40 per cent of its cars' exterior bodywork to be made of plastics by 1985. A similar percentage will apply to interior components, excluding major mechanical assemblies.

Exterior parts are likely to include wings, bonnet, boot lid, doorframes, rear windows and bumpers. It is also possible that the steel wheel will disappear, replaced by much lighter ones made of glass carbon fibre re-inforced epoxy.

The approach to vehicles of the mid-1980s onwards being taken by Peugeot—the French giant which embraces also Citroen and Talbot—was outlined in London by M. J. J. Lanfranchini, Peugeot's head of plastic products development.

He was speaking at a seminar organised by Borg-Warner Chemicals Europe, which has been working closely with Peugeot on developing plastic car parts.

The motor industry is the biggest single user of plastics, particularly of ABS, a tough, impact-resistant monomer material produced by Borg-Warner at Grangemouth, Scotland, and Amsterdam plants with a combined capacity of 140,000 tons a year.

Since the average development life for a car, from drawing board to launch, is about four years, Peugeot must be on the verge of incorporating many of these parts into its production planning.

Mr. Lanfranchini predicted that additional products for use in vehicles will evolve as plastics technology develops.

But in the meantime Peugeot has already incorporated all the plastic parts likely to appear in 1985 models in an experimental car, based on its 305 medium saloon, named Project VERA (research vehicle energy savings).

The objective with VERA was to reduce overall fuel consumption by 25-30 per cent compared with the standard saloon, mainly through weight saving, but also by aerodynamic changes to reduce the drag coefficient and by improved mechanical efficiency.

A variety of plastics including polyurethane and treated polycarbonate were used, producing a direct weight saving of 200 pounds. But because this in turn allowed lighter mechanical components to be used—a smaller engine and gearbox for the 104 model, for example—the total saving was about 400 pounds compared with a standard vehicle weight of 2,035 lbs.

A fuel consumption improvement of 26-28 per cent was achieved, together with a slight improvement in performance.

COMPARISON OF ENERGY CONSUMPTION FOR MATERIAL TRANSFORMATION

Material	Equivalent tonnes of oil per tonne of material transformed
Aluminium (cast)	1.6
Aluminium (sheet)	5.8
Iron	0.3
Steel (sheet)	0.98
SMC	1.56
ABS	3.4
Polypropylene	3.3
Reinforced rim (polyurethane)	2.6

Produced in volume, plastics are regarded as potentially cost competitive with traditional metals. In terms of energy use, there is however, an initial price to be paid: plastics production requires considerably greater consumption of oil than metals (see table). Peugeot argues, however, that on the basis of VERA's performance, a net energy saving is achieved soon after the vehicle enters use.

Focusing on a £30m market in microscopes

BY GEOFFREY CHARLISH

IN SPITE of a sustained Japanese attack over the past decade on the scanning electron microscope market, Cambridge Instruments—for which this device is a key product—continues to fight back with machines which, although they may not be the cheapest, are in the view of managing director Clive Segal, at the top in terms of price/performance ratio.

Even so, the company's latest machine, the Stereoscan 100, costs under £20,000, which is about half the price of the model 250 introduced two years ago—and it has moved through design to production with commendable vigour in just seven months.

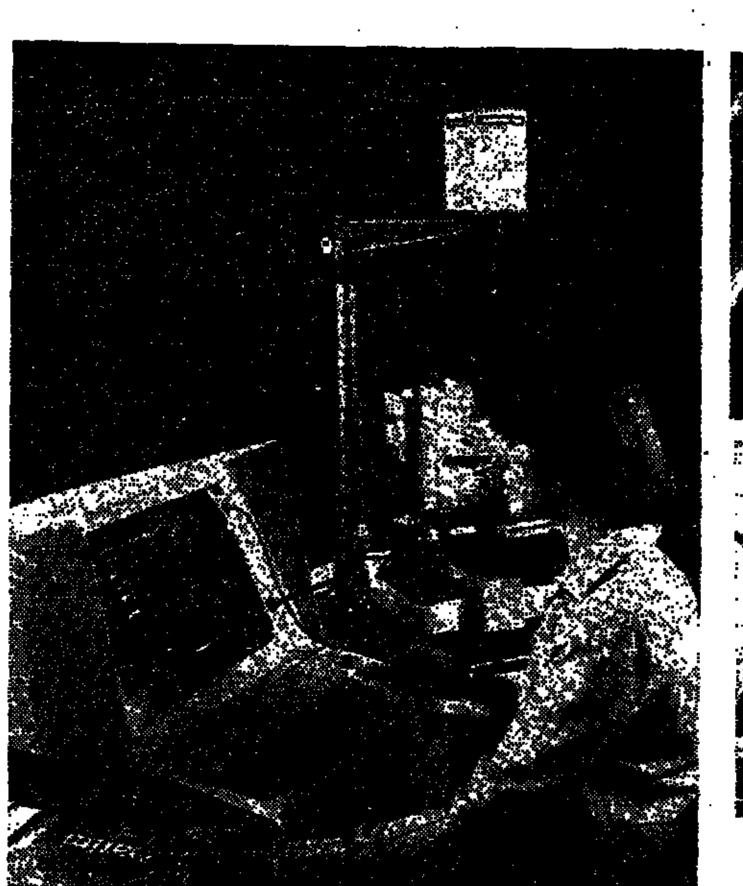
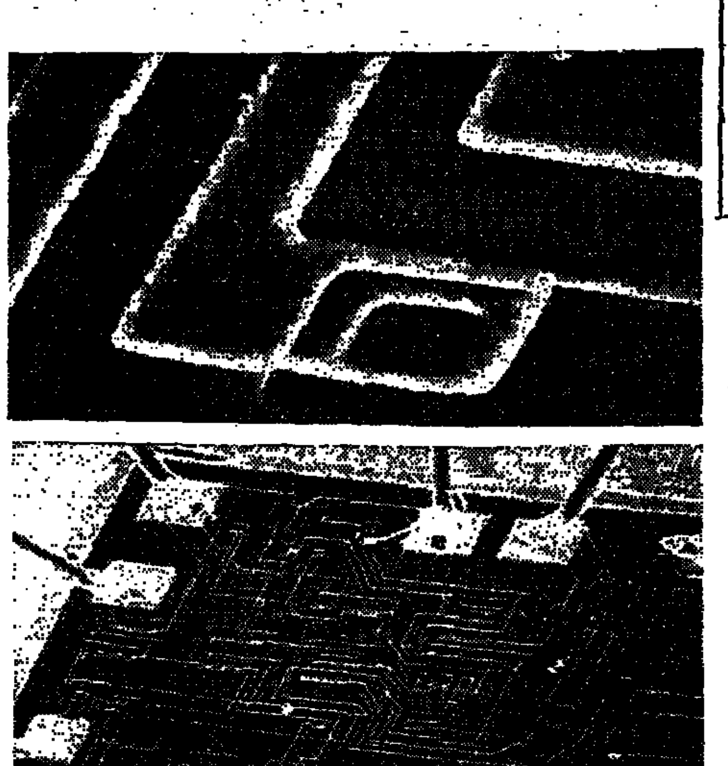
Segal asserts that Cambridge Instruments has now come through the profitability trough thanks to the 250 and that with the 100 the company should give the Japanese market leaders (Japan Electron Optics and ISI) something to think about.

IMAGE ANALYSIS

But this £30m world market (a third of it is in the U.S.) for over 1,000 machines a year will be fiercely contested by the Americans (AMR of Boston and Perkin Elmer), the Dutch (Philips) and Leitz in Germany.

The trend with all the latest offerings is towards smaller, improved resolution, easily used flexible instruments with increasing emphasis on add-on units giving easy and very comprehensive image analysis and manipulation facilities.

Cambridge Instruments has announced such an analyser, the Quantimet 900, as a companion to the Stereoscan 100.

Cambridge Instruments' new scanning electron microscope with the associated image analyser to the left. Micrographs show an integrated circuit at 175 times magnification (above), "zoomed in" to 2,260 times below. The instrument is capable of magnifying 200,000 times.

In the new microscope, however, the two major advances are a specimen chamber measuring 270 x 280 x 170 mm and a resolution under optimum conditions of 70 angstroms, which is better than the previous model 250. Thus, in the semiconductor industry for example it will be possible to accommodate a complete six inch slice and look at it in great detail.

Magnification ranges from 25 to 200,000 times and is controlled digitally from a single knob. At maximum magnification this means that an object only one tenth of a "thou" across would appear 20 inches wide on the screen. A human hair would have a thickness of 20 yards or so.

The specimen stage of the microscope measures 100 x 100 mm and it can be accurately positioned in X and Y directions over 30 mm. It can also be rotated through 360 deg. and tilted through 90 deg.

Pictures are viewed on a nine inch crt screen at normal television scanning rates or at reduced speeds down to 200 seconds per frame—for use at maximum magnification where, at high scanning rates, the noise level would be unacceptable. The number of scanning lines used can be 1,000 or 2,500.

At all times the acceleration voltage (2 to 25 kV), working distance, shot number, specimen identification, a scale line and the actual magnification are shown on a blanked off area at the top of the screen.

A turbo-molecular pump is used for pump-down to quickly produce a good, clean vacuum after specimen insertion. Only a one kilowatt mains supply is needed for the model 100 which is ready to use within three minutes of switching on.

Having established an image, it then becomes possible to ring a considerable number of changes with it on the Quantimet 900 analyser.

SOFTWARE

The remarkable thing about this unit is the fact that nearly all its facilities are software controlled so that, either at CI or in the user company it can be programmed to suit almost any kind of work from routine to research.

For example, a column of ten keys next to one vertical edge of the screen bear no labels: they are identified, according to what part of the program one is in, by an aligned display on the edge of the crt screen—the labels change to suit the work.

Purpose of this (and all) image analysers is to obtain quantitative data about the image. This can be geometric (size, number, shape and position) or grey scale data. A particular advantage claimed for the 900 is that it allows all-software analysis of a stored digitised image but does so at high speed—unlike some other machines.

In this system the image is stored at the rate of 896 pixels (dots) per line in solid state stores. Then, many operations can be conducted. For example, the picture can be zoomed, and the area chosen for viewing can then be made to "roam round" the original picture area.

Also, since the image is available in binary elemental form, it can be altered or edited at selected points. Or, one stored image can be imposed upon another to show up otherwise imperceptible differences — just the difference image can be displayed if desired.

If a drop in resolution is acceptable, the available storage can be used for a large number of pictures which can then be shown as a matrix on the screen. Successive time-events then become easy to see.

At its simplest "turnkey" level, Quantimet 900 can repetitively perform predetermined measuring operations by simply pressing one button labelled in language directly relevant to the user. At the next level, an operator can choose from several pre-recorded routines, again labelled in English.

For the laboratory, on the other hand, measuring routines can be tried, with real time step-by-step interactive response, modified or confirmed, and then recorded permanently on disc—all by means of push button responses to plain language prompts.

Clean air system uses 80 filters

DESIGNED to give a simple b[...] positive cleaning action of t[...] filter elements, thereby eff[...] ing a continuous capture of pa[...] ticulate matter as an integ[...] part of a dust extraction syste[...] a new unit developed by A[...] Pollution Engineering, Sou[...] Wigston, Leicester LE8 (05[...] 785282) comprises 80 filter ba[...] hung vertically and open [...] their lower ends to plenu[...] chambers.

The chambers are arrang[...] radially around the base of [...] central inlet duct and divid[...] into segments each serving [...] equal number of filter bag[...] Dust and larger particula[...] matter is drawn into the [...] of the filter housing an[...] descends slowly through t[...] duct. At the base of the du[...] the polluted air is drawn in[...] the plenum chambers, whe[...] deceleration causes the heavi[...] particles to settle. Only t[...] smallest particles are carried [...] into the filter bags.

Clean air from the bags th[...] enters the filter housing, whi[...] is fitted with a side outlet. Au[...] matic purging of the bags [...] effected by a rotating segment[...] air valve which isolates on[...] plenum chamber at a time fr[...] the main air stream and ope[...] up the bottom of the chambe[...] The whole chamber is th[...] exposed to the air flow from[...] small purge fan so that the fl[...] direction is reversed throu[...] the filter bag and chamber.

Each segment is purged [...] turn and the dust is conc[...] trated in a low-volume a[...] stream which carries it to [...] high-efficiency cyclone separat[...] The dust is discharged throu[...] a rotary valve and the outfl[...] from the cyclone separator [...] piped back into the main du[...] laden air stream to comple[...] the cycle.

NEWS IN BRIEF

SAFETY

Processor Technology of Glasgow has introduced a new, microprocessor-based alarm monitoring system which it calls Proalarm.

What the unit, which costs from £600 to £1,200 according to capacity, does is to monitor the signals passing to the control instruments in plants such as power stations or chemical works and sound the alarm if an abnormal condition is detected.

Mr. Bob Warrinder, sales director for Processor Technology, emphasises the flexibility of the system. The alarm sequence data is specified by the customer and held in memory. Processor Technology operates a 24-hour turn round service for programming customers' memories; and customers will soon be able to buy their own programming device for £500.

The alarm was developed with finance from the National Research Development Corporation and the Department of Industry. Processor Technology is on 041-582 7111.

FISH FARMING

DOWN on the trout farm operated by Trafalgar Fisheries at Downton, Hampshire, the fish have their food blown at them.

Tamplin Engineering of Chichester has constructed a 4-compartment tank (there are 4 sizes of fish food) and mounted it on a trailer fitted with a blower unit and pivoted boom which sprays controlled quantities of food into the 120 100 ft long ponds and waterways on the 38-acre farm.

The trailer is towed by a tractor and the driver is able to control from the cab the amounts of food sprayed. Thus, 2¼m trout are fed by one man.

QUALITY CONTROL

E. R. SQUIRE and Company is now competing in the market for high integrity tubes thanks chiefly to a novel application of an ultrasonic flaw detection system.

The system, the PA1020 detector manufactured by Baugh and Weedon of Hereford (0432 67671), was designed as a general purpose flaw detector and has been on the market for some time.

Squire use the device to monitor tubing bored from the solid while it is still mounted on the lathe.

The tube is rotated under the probe while cooling liquid—which provides the necessary contact between detector and tube, flows between the two. The tubes are used in high temperature and pressure boilers, axles for heavy vehicles and cylinders for hydraulic rams.

According to Baugh and Weedon, ultrasonic testing is the only feasible method of detecting deep seated flaws in the bored tubes.

COMPONENTS

STANDARD injection-moulded plastics components which can be assembled to form the casings of instruments, clocks and similar items are being marketed by the Cobb-Slater Instrument Company, Cosim Works, Darley Dale, Matlock, Derbyshire (0692 983 2344).

The components are said to be particularly suitable for prototype projects as they can be formed into a variety of shapes and sizes. The casings can be dismantled and reassembled in different form to meet design changes.

BOAT BUILDING

WORM-DRIVE banding, a system originally developed for industrial fastening by Elms Lightning Tools and Fasteners, West Heath, Birmingham B31 (021-475 1373), is being put to a new use by the Albatross Aluminium Boat Construction Company, Royal Albert Dock Basin, London, E16. The ¾-wide banding, known [...] Stranglehold, is used to form [...] infinitely adjustable jig [...] suspend and align the 40 hu[...] frame pairs of a 61-ft £250,0[...] aluminium cruising yac[...] before the skin plating is fitte[...]

Each frame member is hu[...] from a length of bandi[...] through a standard housing a[...] tensioning screw. By turni[...] the screws individually t[...] frames can be raised or lowere[...] with almost micro-precisio[...] says Albatross. As a jig, t[...] system is claimed to be not on[...] more flexible than tradition[...] wooden supports but also muc[...] cheaper.

BOND NUMBERS

M 6	1493	2835	4228	6362	8496	9465	10989	12412	12958	16091	16904	17153	17410	17766	18268	18610
8	1510	2870	4230	6420	8729	9477	11004	12429	12973	16100	16912	17162	17413	17784	18273	18624
111	1789	2931	4647	6438	8812	9545	11044	12449	13045	16166	16931	17171	17424	17796	18323	18647
115	1802	2934	4680	6471	8885	9587	11193	12509	13069	16169	16967	17177	17428	17812	18378	18657
239	1956	2985	4857	6612	9051	9691	11285	12578	13166	16193	16970	17180	17482	17816	18384	18663
292	1979	3107	4868	6618	9086	9769	11322	12586	13742	16235	16985	17201	17485	17822	18387	18667
428	2009	3305	4918	6734	9089	9770	11438	12625	13749	16268	17008	17204	17492	17829	18392	18675
431	2055	3335	4927	6853	9097	9890	11543	12642	13834	16274	17011	17217	17512	17835	18397	18690
544	2222	3376	5197	7054	9108	10010	11667	12685	14021	16279	17016	17223	17518	17879	18407	18711
553	2239	3387	5203	7078	9112	10036	11889	12692	14054	16330	17026	17231	17545	17889	18446	18714
766	2307	3411	5251	7159	9121	10081	11890	12702	14148	16359	17035	17241	17552	17905	18477	18718
818	2312	3422	5332	7165	9129	10089	12015	12715	14248	16399	17039	17247	17583	17909	18483	18721
978	2406	3453	5370	7271	9130	10091	12029	12735	14322	16420	17042	17313	17586	17927	18488	18728
994	2431	3682	5403	7282	9131	10095	12137	12755	14443	16426	17067	17321	17606	17937	18501	18758
1036	2477	3752	5546	7354	9137	10099	12182	12805	14464	16521	17073	17337	17613	17940	18509	18764
1081	2494	3767	5580	7359	9202	10361	12200	12817	14467	16587	17077	17354	17619	17949	18546	18772
1126	2527	3877	5693	7607	9341	10384	12218	12835	15011	16615	17092	17360	17627	18103	18569	18779
1156	2530	3882	5756	7676	9245	10393	12229	12860	15050	16639	17095	17366	17631	18134	18574	19641
1241	2653	4004	6089	7762	9278	10395	12236	12887	15065	16782	17099	17376	17642	18144	18576	
1295	2666	4013	6074	7943	9289	10410	12241	12940	15775	16842	17104	17391	17644	18250	18586	
1417	2723	4057	6160	8019	9374	10982	12294	12945	15896	16853	17119	17401	17752	18257	18589	
1422	2800	4069	6166	8020	9464	10986	12374	12953	15992	16898	17123	17405	17761	18261	18595	

Terms (years)	3	4	5	6	7	8	9	10
INTEREST %	12½	12½	13	13	13½	13½	13½	13½

Main Features	1981	1980	% Change
Gross Revenue	£6,480,798	£5,587,929*	+16.0
Net Assets	£96,773,449	£86,634,829	+11.7
Per Ordinary 25p Stock Unit:-			
Earnings	5.75p	4.81p	+19.5
Dividend	5.58p	4.78p	+16.7
Net Asset Value	133.6p	118.9p	+12.4

Swire Properties Limited

Consolidated results for the year ended 31st December 1980 and 1980 final dividend

Highlights

- Earnings per ordinary share increased by 112%.
- Final ordinary dividend of 42¢ recommended—an increase of 43% for the year.
- One-for-two scrip issue proposed.
- Investment properties valued at HK$4,488.7 million to give book net assets per share, after incorporating the 1980 revaluation surplus, of HK$13.26, an increase of 54% over the book net asset value at 31st December 1979.
- Prospects are good and it is expected that profits for 1981 will be significantly increased.

Results The audited consolidated results of Swire Properties Limited for the year ended 31st December 1980 were:

	Year ended 31st December 1980 HK$m	Year ended 31st December 1979 HK$m
Turnover	1,053.7	747.8
Profit before taxation	628.2	300.9
Taxation	102.4	47.0
Profit after taxation	525.8	253.9
Minority interests	4.0	16.0
Profit for the year	521.8	237.9
Preference dividends	16.6	—
Profit attributable to ordinary shareholders	505.2	237.9
Analysis of profit for the year:		
Property trading	434.4	170.2
Property investment	70.7	60.6
Construction	16.7	7.1
	521.8	237.9
Hong Kong	492.7	201.3
USA	22.7	30.5
Malaysia	6.4	6.1
	521.8	237.9
Earnings per ordinary share		
Undiluted	148¢	69¢
Fully diluted	128¢	58¢
Dividends per ordinary share		
Interim	18¢	11¢
Final—proposed	42¢	31¢
	60¢	42¢

Dividends are payable from 1st January 1980 on the 170,500,000 9½ per cent convertible cumulative redeemable preference shares 1985/1987 of HK$1 each in issue by the company: the preference shares are convertible between 1982 and 1987 on the basis of 100 ordinary shares for every HK$275 nominal of preference shares held and, if not converted, may be redeemed in full or in part at the option of the company on 31st December 1985 or 31st December 1986, and any preference shares still outstanding will be redeemed on 31st December 1987. The undiluted earnings per share are calculated by reference to the profit attributable to ordinary shareholders divided by 346,024,361 ordinary shares in issue. The fully diluted earnings per share are based on the profit for the period and on 408,024,361 ordinary shares which includes 62,000,000 ordinary shares into which the preference shares are convertible at the option of the preference shareholders.

The annual report for 1980, including the Chairman's Statement and the audited accounts for the year ended 31st December 1980, will be sent to shareholders by 8th May 1981.

The annual general meeting will be held on 29th May 1981 and the share register will be closed from 15th May 1981 to 29th May 1981, both days inclusive. Subject to approval, the proposed final dividend will be paid on 1st June 1981.

Hong Kong
24th March 1981

D.R.Y. Bluck
Chairman

Swire Properties Limited
The Swire Group
Swire House, Hong Kong.

SW159

APPOINTMENTS

British Telecom export director

Mr. John Boag, general manager of Telconsult, the consultancy service of the British Post Office, is to become telecom director of overseas liaison and consultancy next month. He succeeds Mr. Frank Thomas who is retiring.

Mr. Boag will be responsible for British Telecom export support to industry and for liaising with overseas telecommunications administrations and other interests, to promote British developments and achievements in the overseas telecommunications market.

He will also control British Telconsult which has grown under his general managership to a multi-million dollar overseas consultancy organisation.

★

The following appointments take effect from April 1. Mr. D. W. J. Garrett, Mr. N. T. Sibley and Mr. P. A. Wichelow become directors of ROBERT FLEMING HOLDINGS. Mr. J. D. Drysdale and Mr. R. Templeton become directors and Mr. B. Fenn-Tye, Mr. F. Smith and Mr. J. L. Turner are appointed managers of Robert Fleming and Co. Mr. P. A. Barnshaw, Mr. P. G. Brealey, Mr. A. A. Clark and Mr. L. H. Jones become directors and Mr. T. J. Beale, Mr. N. W. A. Chapman and Mr. F. P. Hinks managers of Robert Fleming Investment Management.

★

Mr. C. W. M. Wilson has been elected a director of J. ROTHSCHILD AND CO.

★

Mr. S. R. C. Davies and Mr. M. L. Slaughter will be appointed partners of PINCHIN, DENNY AND CO Stockbrokers, from May 1. Mr. R. H. Mertens will be retiring on April 30.

★

Mr. S. P. Farr has retired from the Board of BEAUMONT PROPERTIES.

★

Mr. Ross C. Howard and Mr. Dennis R. Thornton are appointed directors of DENIS M. CLAYTON AND CO from April 1.

★

Mr. J. E. Linnell has retired as director and company secretary of EVODE HOLDINGS. Mr. D. S. Winterbottom, group financial director, has additionally been appointed company secretary.

★

Mr. W. H. Taylor has been appointed a director of TERRA NOVA INSURANCE CO. He is senior vice president of Connecticut General Life Insurance Company. Mr. O. R. Arton and Mr. J. W. Ramplin have resigned from the Board of Terra Nova following changes in the distribution of the company's share capital among its shareholders.

★

Three directors have been appointed to the Board of BRISTOL-MYERS CO. Mr. Philip Restaino, previously director of marketing, cough, cold products for Bristol-Myers in New York, becomes director of the consumer division succeeding Mr. Gerry Beddall who has been appointed executive vice president of Clairol Canada. Mr. Bill Boysen, manager of financial analysis with Bristol-Myers Athens-based outer Europe and Australasia division, succeeds Mr. Jackson as financial director. Mr. John Jackson, financial director for the past three years, has been appointed director of the pharmaceutical division, replacing Mr. Pieter Genze who has returned to New York to develop the international business. All three will be based at Bristol-Myers UK headquarters in Langley, Berks.

★

Mr. Keith Williams has joined the board of ROGER MALCOLM as a non-executive director.

★

Mr. R. J. (Bill) Legg has been appointed personnel director of RUMBELOWS as from April 1.

★

At BANK BRUSSELS LAMBERT (UK), Mr. Ernest H. Angell has been appointed executive officer and member of the executive committee and Mr. Charles Gross head of the shipping department.

★

Mr. H. A. Golding has been appointed manager in charge of business development at LAWRENCE-ALLISON, Croydon. Mr. Hugh Shyvers has become manager, engineering. Mr. Golding was previously with Crest Engineering and Mr. Shyvers was with CJB Offshore.

★

Mr. Stuart G. Moberley has been appointed to the Board of McKECHNIE BRITAIN as controller.

★

Mr. J. S. Morton, a non-executive director of RICHARDSON WESTGARTH AND CO., is to retire next month.

Prutec Board

PRUTEC, the company established by the Prudential Assurance Company in association with PA International, has announced the composition of its Board.

Mr. Derek Allam is chief executive. Mr. Ronald Artus, chairman and Mr. Brian Medhurst, deputy chairman. Other directors are Mr. Gordon Edge, Mr. James Findlay, Professor Sir Hugh Ford, Mr. Peter Lawson, Sir Ieuan Maddock and Professor Sir Peter Swinnerton-Dyer.

Mr. Allam was formerly technical planning manager with Tricentrol Industrial Corporation; Mr. Artus, Mr. Medhurst and Mr. Findlay are Prudential investment managers; Mr. Edge is director of the Patscentre International laboratories; Sir Hugh, a former Pro-Rector of the University of London; Mr. Lawson, a nominee of PA International; Sir Ieuan, a former chief scientist of the DTI and now principal of St. Edmund Hall, Oxford; and Sir Peter, vice chancellor, Cambridge University.

Prutec specialises in investments stemming from the development of new or improved technical products and processes.

★

Mr. Brian Morris has joined AVX Ltd., Aldershot, UK, in the newly-created position of managing director. The parent concern is AVX Corporation, U.S. Mr. Yuichi Nakamura has become president of AVX KK, Tokyo, and Mr. Anthony Labita takes over a new post of vice-president—human resources in the Great Neck NY office. Mr. Morris was previously with Vitramon, Inc., Mr. Nakamura was with TDK-ACI, and Mr. Labita moves to AVX from ITT.

★

J. H. MINET & CO. has completed the purchase of the Manchester-based insurance brokers, E. HARDING & CO. Mr. R. E. Stedman, Mr. E. H. Carter, Mr. J. R. Rose and Mr. G. Powell of Minets will be joining the Board.

The UK division of J. H. Minet & Co. has been re-structured and its regional network now operates under the following regional Boards: northern, Mr. G. Powell, managing director, Mr. T. Halpin and Mr. B. Riley; midland, Mr. S. J. Dear, managing director, Mr. P. Denver, Mr. P. Smith and Mr. P. Hopkins; southern, Mr. E. J. Slade, managing director, Mr. S. G. Jee, Mr. A. Knight and Mr. C. McGhee. Mr. R. E. Stedman is chairman and Mr. E. H. Carter, managing director, of the UK division.

★

Mr. Colin Clark, a director of Sogemin (Metals) and Mr. John Mountford of IMI have been elected to the LONDON METAL EXCHANGE for 1981-82. They will replace the late Mr. John Becker and Mr. Manfred Kopelman.

★

Mr. Edward White, treasurer of Tootal, has been appointed finance director of CHRISTIAN SALVESEN. He succeeds Mr. J. M. Barber who has become chairman and managing director of Christian Salvesen (Food Services).

★

Mr. L. J. Purdue, aviation underwriter of the English and American Insurance Company, has been elected chairman of the AVIATION INSURANCE OFFICES ASSOCIATION. He succeeds Mr. J. W. Webb, who has completed his term of office. Mr. D. F. Floyd, aviation underwriter of the Eagle Star Group, has been elected deputy chairman of the Association. Mr. C. G. Jessup has been re-elected honorary secretary and treasurer.

★

Mr. J. Clark, Mr. J. W. Hardy and Mr. M. B. Squires are to join the Council of the INSTITUTE OF TAXATION.

★

WILLIS FABER has appointed Mr. R. S. Gray as group chief accountant and as an executive director of Willis Faber (Finance and Administration).

★

Mr. John Rowntree has become technical director of RACAL ANTENNAS, which has moved to larger premises at Southampton.

★

Mr. Michael May has been elected president of the BUILDERS' BENEVOLENT INSTITUTION for the year 1981-82. He is chairman of Killby and Gayford.

★

Mr. H. R. Hoare and Mr. T. W. R. White have been appointed managing directors of the PANDAIR GROUP. Mr. Dave Schneider, currently Pandair's chief executive in the U.S., will be joining El Al on May 4 and Mr. Hoare will move from his Singapore base to New York, taking responsibility for the U.S. organisation from April 28. Mr. Stan Chance is leaving the company. Mr. White will assume immediate responsibility for Europe, Middle East and Africa division, other than Germany, where Mr. Hans P. Am Wer will report directly to Mr. Derek Spice as executive chairman.

★

Mr. W. J. Lancashire and Mr. D. J. Richardson have been appointed directors of DARTMOUTH POTTERY, a subsidiary of Samuel Heath and Sons.

★

Mr. Piers Rodgers has been appointed secretary elect of the ROYAL ACADEMY from October 1, with a view to taking over as secretary six months later on the retirement of Mr. Sidney C. Hutchison.

★

Mr. Charles Levison has been appointed managing director of WEA RECORDS. He has been managing director of Arista Records in the UK for the past three years.

★

Mr. John Beck has been appointed a director of MILLER BUCKLEY CONSTRUCTION.

★

Mr. Hiroshi Katsuta, managing director of Yamaichi Securities, has been appointed to the board of DRAYTON FAR EASTERN TRUST, a company managed by Drayton Montagu Portfolio Management.

★

Mr. John L. E. Smith has been elected to the board of GREYCOAT ESTATES.

★

Mr. N. E. Carter and Mr. R. Whitehead have been appointed directors of NELSON HURST AND MARSH, Lloyd's brokers.

★

The following members of the TSB Group have been appointed to the Board of UNITED DOMINIONS TRUST: Mr. W. F. Rishton, as an executive director and Mr. L. Bolton, Mr. J. W. Hoccom, Mr. G. L. Hughes, and Mr. J. Lowrie, non-executive directors.

★

Mr. D. John Ogren has been appointed director and general manager, southern operations for CONOCO U.K., replacing Mr. Phil Zuvanich, who has been promoted and transferred to Houston, Texas. Mr. James L. Sanderlin has been named manager drilling, Conoco (U.K.) succeeding Mr. E. O. Jones who has been moved to Indonesia.

★

Mr. Robin Laidlaw, director of marketing, Eastern Gas, has been appointed deputy chairman, SOUTHERN GAS, from April 15.

★

Mrs. J. D. M. Jowitt has been appointed a part-time member of the INDEPENDENT BROADCASTING AUTHORITY until March 24, 1986. She succeeds Mrs. A. M. Coulson.

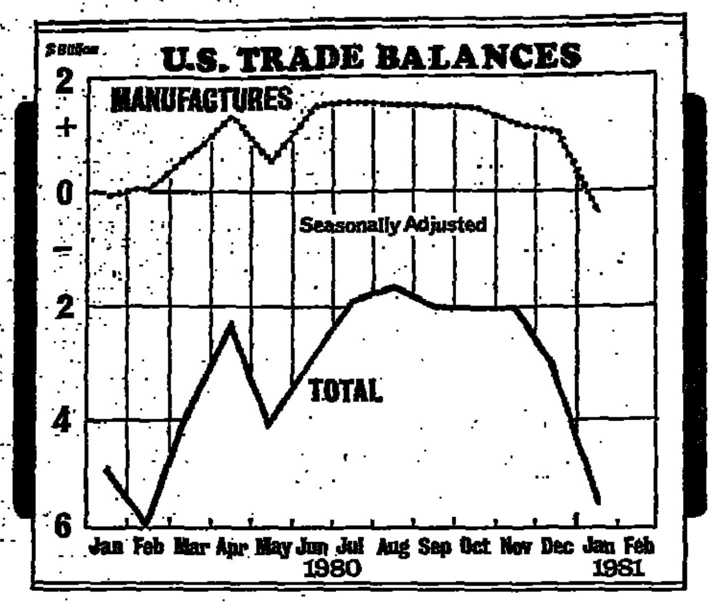
PRESIDENT REAGAN'S POLICY CHOICE

Open trade or import curbs

BY PAUL CHEESERIGHT

"THERE ARE winds blowing in all directions. The Reagan Administration is not yet set on a course," said a U.S. Commerce Department official. But one of the strongest winds is blowing from Detroit, where the car industry is casting round for relief from the pressure of Japanese imports.

"What is done on cars will set the general trend (of trade policy)" suggested one official. "It is a paradigm of all the problems." The clash, in its acutest form, is between what is presented as the Administration's liberal economic doctrine—its concern to reduce official intervention in industry and with that gain an acceptance of international open trade—and its concern about the largest U.S. industry. "The open trade bias is meeting its most critical test," noted the official. "Whatever is done internationally is a function of what is done domestically."



The problem is simply dated. In January 1979, Datsun cars were selling in the U.S. at a discount. But as fuel costs have risen and the U.S. manufacturers have failed to produce cars to meet a fashion for smaller vehicles, the Japanese market share has risen sharply. By last February, the Japanese had captured 29 per cent of the market. Last year, with U.S. manufacturers suffering their worst year on record, they sold 1.8m cars. The source of employment for one in every six Americans has seemed under threat.

President Ronald Reagan now has before him a report on the problem. Clearly what he would like, to allow him to redeem a campaign promise and keep his ideological stance firm, is for Japan itself to organise marketing restraint.

Should the Japanese Government not be so amenable and President Reagan be forced to a decision, what he does will have a profound effect on trade relations with both Japan and the European Community. "If he bites the bullet and says the problem is not Japanese but U.S. industry (as the International Trade Commission suggested during the Carter Administration), then this will affect our attitude to European petrochemicals. If he goes the other way, then it establishes a new intellectual framework," commented one U.S. trade diplomat.

The European petrochemical industry is seeking some restraint from U.S. exporters. The point is that if President Reagan does nothing to check the flow of Japanese car imports, some Washington quarters feel the U.S. will be in a stronger position to deal with European Community protectionism. If he does negotiate constraints, the way may be open for more trade curbs among major industrial powers.

This is a variation on the agument that Count Otto Lambsdorff, the West German Economics Minister, advanced in Washington: that curbs on Japanese cars would lead to a trade way. The other side of the argument, advanced by Senator John Danforth, the Missouri Republican who has introduced a Bill in the Senate to hold Japanese sales at 1.6m a year, is that car imports can be treated in isolation. No other industry could expect such protection. In this case, after all, Congress and the Administration are dealing with the most significant U.S. industry.

The question is then where the protectionist line should be drawn, if at all? The answer is linked not only to the movement of political forces and their interaction with economic ideas within the U.S. itself, but also to U.S. access to foreign markets.
you always have on any given item protectionist pressure, but the overall sentiment is for getting markets opened up," said one trade specialist at Congress. "The political pressure for auto restrictions would not be there if the EEC did not have restraint (notably in France, Italy and the UK), if Japan would open its markets."

Still, there is a community of interest over Japan between the U.S. and the European Community, notwithstanding the running difficulties on steel and textiles. Both are subject to the carefully targeted Japanese approach to exports, which has a marked impact in concentrated areas.

"The things we're good at, they protect until they get good themselves. Take the semi-conductor industry. Now they're competitive, so now they're prepared to reduce their tariffs," complained a congressional aide recently subject to lobbying by the U.S. semi-conductor industry for special tax treatment.

It will clearly be much easier for the Administration to combat pressure for import cubs from specific industries if it can point to sectors where trade is becoming more open. Hence policy, as it emerges in the next few months, will be directed to questions of access. In this, President Reagan takes over where President Carter left off, emphasising the generally bipartisan approach to trade.

Thus the new Administration is continuing to press hard to bring into action the new codes of international trading behaviour from the Tokyo Round multilateral trade negotiations, covering such areas as government procurement and the use of subsidies. European governments, for example, are being peppered with queries about how they are moving into line with these new General Agreement on Tariffs and Trade (GATT) codes. The U.S. pressure on Japan to open up the telecommunications market in the gift of Nippon Telephone and Telegraph will soon be repeated in Europe. The GATT staff at the Special Trade Representative's office has been built up. "Congress is looking for evidence we got what we bargained for. It is monitoring the executive agencies which monitor the codes," noted a Senate trade specialist.

This concern about market access parallels the concern to create commercial conditions in the U.S. in which U.S. industry will not only be able to use its own quality and competitiveness to fend off the threat of imports, but will also be encouraged to export. Worry about imports now itself parallels the decline of the U.S. position on world markets. In 1960, the U.S. had a 15.9 per cent share of world exports, but 20 years later the share had dropped to less than 11 per cent.

Hoover Institution papers, the intellectual mainspring of the Reagan Administration, have pointed to the erosion of the assets the U.S. economy enjoyed after the Second World War: the intact industrial base, technological leadership, military superiority, the commanding position of the dollar. Now, "Washington struggles to adjust outmoved laws, institutions and practices to the way the new global economy actually works."*

This is not a new problem. "Both Reagan and Carter are intellectually committed to removing restraints. The change comes in the definition of what is possible," according to a trade diplomat. One part of President Reagan's approach was seen in the well-publicised February budget, which generally aimed at releasing business through financial measures.

Another part is through legislation. Thus, the Administration has thrown its weight behind a Bill to facilitate setting up export trading companies. This would override the traditional perception that banking and commerce should not be mixed. Other Bills in Congress cover a re-definition of, to put it crudely, the circumstances where bribery would be legally permitted to win orders, the re-organisation of the tax system for U.S. nationals working overseas, and the establishment of a commission to examine the working of anti-trust laws.

The removal of self-imposed obstacles to business has become the order of the day. But there are limits. No consensus yet seems to be emerging on whether the controls on trade with the Soviet Union should be removed.

But leaving aside the particular issue of East-West trade, the Administration is in any case forced to act to stimulate exports. Although trading improved during 1980 and the deficit for the year was the smallest since 1976, it was still a huge $32.3bn. Significantly, President Reagan's budget cuts have left the export promotion side of the Commerce Department untouched.

* *International Business, by Richard Whalen; from The United States in the 1980s, edited by Peter Duignan and Alvin Rabushka; Hoover Institution Publication 228.*

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

GERMANY

AUSTRALIA

SOUTH AFRICA

BRAZIL

TEL AVIV

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

SINGAPORE

Indices

NEW YORK —DOW JONES

	Mar. 27	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 20	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	994.78	1005.76	1015.22	998.73	1004.25	992.80	1015.22 (25/3)	931.67 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	61.85	62.16	62.25	62.53	62.74	62.91	65.78 (15/1)	61.85 (27/3)	—	—
Transport.	450.19	455.26	455.56	424.95	424.59	418.59	455.56 (25/3)	379.19 (20/2)	455.56 (25/3/81)	12.25 (8/7/32)
Utilities	107.53	108.22	108.55	107.60	108.22	109.15	117.81 (5/1)	105.41 (25/2)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	46,930	60,570	56,520	66,490	57,880	61,880	—	—	—	—

♦Day's high 1008.29 low 990.00

Ind. div. yield %	Mar. 20	Mar. 13	Mar. 6	Year ago (approx)
	5.58	5.66	5.74	6.30

STANDARD AND POORS

	Mar. 27	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 20	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	152.76	154.65	155.60	152.64	153.82	151.78	157.02 (6/1)	143.73 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	134.68	136.27	137.11	134.67	135.69	134.08	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	Mar. 25	Mar. 18	Mar. 11	Year ago (approx)
Ind. div. yield %	4.44	4.54	4.66	5.97
Ind. P/E Ratio	9.68	9.45	9.16	6.94
Long Gov. Bond Yield	12.63	11.91	12.52	12.59

N.Y.S.E. ALL COMMON

Mar. 27	Mar. 26	Mar. 25	Mar. 24	1981 High	1981 Low
77.59	78.43	78.82	77.52	79.14 (6/1)	72.45 (20/2)

Rises and Falls	Mar. 27	Mar. 26	Mar. 25
Issues Traded	1,887	1,933	1,939
Rises	495	691	1,083
Falls	1,011	873	513
Unchanged	383	369	343
New Highs	—	146	128
New Lows	—	3	2

MONTREAL	Mar. 27	Mar. 26	Mar. 25	Mar. 24	1981 High	1981 Low
Industrials	365.75	368.65	368.15	366.04	369.15 (25/3)	336.26 (20/2)
Combined	364.27	368.54	368.56	363.88	368.56 (25/3)	338.54 (20/2)
TORONTO Composite	2535.7	2541.6	2536.4	2519.8	2541.6 (26/3)	2161.4 (20/2)

	Mar. 27	Mar. 26	Mar. 25	Mar. 24	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	707.4	701.7	706.5	701.8	727.3 (7/1)	641.1 (17/2)
Metal & Minrls. (1/1/80)	659.0	622.5	632.0	630.2	735.2 (7/1)	554.9 (5/3)
AUSTRIA						
Credit Aktien (2/1/62)	62.47	62.45	62.58	62.68	66.45 (5/1)	62.43 (26/3)
BELGIUM						
Belgian SE (31/12/63)	92.24	92.41	92.34	92.71	96.15 (17/2)	92.23 (23/3)
DENMARK						
Copenhagen SE (1/1/73)	108.12	107.95	107.21	106.65	108.79 (11/3)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	112.0	111.7	111.6	111.6	112.5 (17/3)	103.1 (29/1)
Ind Tendance (31/12/80)	104.3	104.3	104.3	104.3	106.8 (13/3)	85.4 (27/1)
GERMANY						
FAZ-Aktien (31/12/58)	221.85	225.15	222.78	225.07	228.15 (6/1)	215.89 (9/2)
Commerzbank(Dec. 1953)	684.50	688.0	686.7	687.2	706.0 (6/1)	666.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	88.7	89.1	88.0	89.8	89.5 (25/2)	85.7 (2/1)
ANP-CBS Indust. (1970)	67.7	68.0	67.2	67.4	68.0 (26/3)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1441.68	1450.51	1469.50	1446.71	1650.82 (4/2)	1295.44 (11/3)
ITALY						
Banca Comm. Ital (1972)	245.80	244.50	238.60	233.98	245.80 (27/3)	175.38 (6/1)
JAPAN						
Dow Average (16/5/49)	7503.04	7507.27	7525.96	7518.19	7525.96 (25/3)	6958.52 (13/3)
Tokyo New SE (4/1/68)	527.94	528.02	529.18	529.02	529.18 (25/3)	495.75 (5/1)
NORWAY						
Oslo SE (1/1/72)	120.76	120.44	120.0	118.61	124.16 (3/3)	116.22 (13/2)
SINGAPORE						
Straits Times (1966)	818.75	813.53	805.96	808.31	825.47 (10/3)	869.52 (2/1)
SOUTH AFRICA						
Gold (1958)	678.6	658.2	669.6	698.4	797.6 (7/1)	661.5 (6/3)
Industrial (1958)	641.7	613.6	616.5	602.5	621.7 (27/3)	537.2 (3/2)
SPAIN						
Madrid SE (30/12/80)	112.58	111.75	111.62	111.66	114.26 (17/2)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	492.75	492.69	495.61	490.30	495.61 (25/3)	404.17 (20/1)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	298.7	299.5	298.9	298.9	303.8 (6/1)	287.0 (16/2)
WORLD						
Capital Intl. (1/1/70)	—	160.0	160.5	158.0	162.8 (6/1)	148.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gulf United	631,000	23	+1¼	Marathon Oil	398,500	54⅛	+⅛
Mobil	582,200	66¾	−1¼	Arlen Rty.	376,400	2⅞	−⅛
IBM	574,300	61⅞	−1¼	Polaroid	37[illegible]	[illegible]	[illegible]
Peabody	561,300	7½	—	Gulf Oil	38[illegible]	[illegible]	[illegible]
Sony	460,100	18⅜	−⅛	Twent. Cent. Fox	35[illegible]	[illegible]	[illegible]

هكذا من الأصل

TODAY

COMPANY MEETINGS—

Abbey Panels Invs., Sheraton Skyline Hotel, Bath Road, Hayes, Middx., 12.00

Brayton Premier Inv. Tst., 117, Old Broad Street, EC, 11.30

Granada Group, 36, Golden Square, W., 12.30

Murray Western Inv. Tst., 175 West George Street, Glasgow, 12.30

St. Andrew Trust, 29, Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS—

Finals:

APV

Arncliffe

Charterhouse

Federated Land

Freemans (London SW8)

Low and Bonar

Ocean Transport and Trading

Quick (H. and J.)

Interims:

Bluebird Confectionery

Chess Lighting

Perry Pickering

Newman-Tonks

Scottish Cities Inv. Tst.

United Wire

DIVIDEND & INTEREST PAYMENTS—

ASEA 7 Skr

Allen (W. G.) (Tipton) 0.8p

Allied Irish Banks Flg. Rate Sub. Notes due 1984 US$66.35

Apex Properties 0.7p

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

Henlys Db. 5¼pc. Ln. 4½pc

Hepworth Ceramic Db. 5.2pc

Heron Cpn. Db. 3½ 5¾pc

Hestair Consumer Products Ln. 5pc

Hickson Welch 6pcPf. 2.1pc

Higgs Hill Db. 4¼pc. Ln. 4pc

Hill Smith Db 7pc

Hill (Philip) Inv. Tst. Db. 2¾pc

Hill Samuel Gp. Ln. 4pc

Hocroft Trust Lns 3½, 3¾pc

Hogg Robinson Gp. Ln. 4¼pc

Hollas Gp. 2p

Hollis Bros. ESA 7pcPf. 2.45pc. Ln. 4pc

Home Brewery 5¾pcPf. 2.0125pc

Hoyle (Jos.) 5pcPf. 1.75pc

ICL PLC Db. 2¾pc

IMI Ln. 4¼pc

LTT Distributors Debs. 3½ 4¼pc

Imperial Contl. Gas Ln. 4pc

Imperial Foods Deb. 3¼pc

Security Services, Hyde Park Hotel, 66 Knightsbridge, SW, 12.00.

Sterling Trust, 122 Leadenhall Street, EC, 3.30.

DIVIDEND & INTEREST PAYMENTS—

AAH 6pcPf. 2.1pc

APV Ln. 5½pc

Albright and Wilson Db. 3pc

Allied Breweries Dbs. 1½ 1¾ 2⅛ 2⅜ 2½ 3 3¼ (84-89). 3½ (87-92). 3⅝ 3¾ 3⅞pc. Lns. 2⅝ 2⅞ 3⅛ 3¼ 3⅞pc

American Trust Db. 3½pc

Anglo-American Secs. Corp. Db. 2pc

Argus Press 7½pcPf. 2.625pc

BOARD MEETINGS—

Finals:

Babcock International

Guardian Royal Exchange Assurance

Hiltons Footwear

[illegible]

INSURANCE

Accountants join debate on Lloyd's Bill

BY JOHN MOORE

A FURTHER aspect of the debate about self-regulation at Lloyd's of London was opened up by the accountancy profession last week.

The new arguments came in a week when Lloyd's gained a second reading in the Commons for its private Bill for improving self-regulation.

The arguments appeared in a memorandum from the Consultative Committee of Accountancy Bodies to the Lloyd's committee, containing detailed comments on Sir Henry Fisher's conclusions in his report on self-regulation at Lloyd's, which was prepared last year.

The memorandum suggested that accounting and audit requirements for Lloyd's members should be brought into line with appropriate company law principles and said accounting and auditing standards should apply to the accounts produced. The accountants want detailed guidelines for Lloyd's audits.

Efforts should be made, they said, to enable auditors to report on Lloyd's syndicate accounts in "true and fair" terms.

The Fisher report dealt with a variety of accounting issues at Lloyd's including the question of Lloyd's annual audit.

Each year Lloyd's carries out a solvency audit, which examines, under statutory requirements, the solvency of each of the nearly 20,000 underwriting members. If an auditor is not satisfied he must withhold his report. An auditor cannot issue a qualified report, for to do so could prejudice Lloyd's overall — "global" — solvency certificate.

On the basis of audit certificates produced for all members, the chairman of Lloyd's is able to sign the annual global solvency certificate for Lloyd's as a market entity.

When a member of Lloyd's is unable to show a solvency audit certificate the Lloyd's committee can utilise the central fund, a fund of last resort for the protection of the policyholder, to cover any liabilities once the member has been declared in default.

This is not possible where an auditor has issued a qualified certificate and because of this the committee will not accept a qualified audit certificate.

The accountants have concluded that it is "undesirable for an auditor to be put in the position of having to refuse to report if he is in doubt about some aspect."

Moreover, they say that until there are adequate guidelines auditors may be asked to take too much responsibility for commercial underwriting judgments. Here they are concerned that they have too much responsibility for assessing the adequacy of the "reinsurance to close" the underwriting account.

The managing agent, the unit which looks after the underwriting affairs of all the members, and the underwriter have to make a proper commercial estimate of the outstanding liabilities to arrive at a premium for the reinsurance. If the auditors are unsure about this aspect, said Sir Henry Fisher, it "seems to us to put an undesirable pressure on auditors who are, for example, in doubt about the amount of liabilities but who are reluctant to go to the length of refusing to sign a certificate at all.

According to the accountants, Lloyd's is discussing with the Department of Trade ways in which the statutory report on solvency, and the Lloyd's global certificate, can be brought together in such a way that a qualified report as to solvency may not jeopardise the global certificate.

The audit of syndicate accounts at Lloyd's has not had to follow any onerous mandatory provisions in the Lloyd's market. The responsibility for providing syndicate accounts for all members falls on the managing agent.

Fisher concluded that many auditors think that it is difficult to confirm that, in the auditors' opinion, accounts give a "true and fair" view because of the central importance of the adequacy of the reinsurance to close and the difficulty that an auditor has in confirming what is essentially an underwriting judgment.

The accountants conclude that existing levels of internal control and administrative systems may be required to be reviewed and strengthened. Managing agents and underwriters should be required to give complete access for auditors to all information they require to carry out the audit.

Managing agents should be required to keep up to date and proper statistics and records for their separate syndicates. Managing agents and underwriters should be required to sign the accounts syndicates.

Week in Parliament

TODAY

Commons — Debate on unemployment in the Midlands. Parliamentary Commissioner (Consular Complaints) Bill, remaining stages.

Lords — Wildlife and Countryside Bill, third reading.

Select Committees — Home Affairs, Sub-Committee on Race Relations and Immigration. Subject: The operation and effectiveness of the Commission for Racial Equality. Witnesses: Commission for Racial Equality. (Room 15, 11 am). Education, Science and Arts. Subject: Public and Private Funding of the Arts. Witnesses: National Theatre and Royal Shakespeare Company. (Room 6, 4 pm). Treasury and Civil Service; Subject: The Budget and Government's expenditure plans 1981/82-1983/84. Witness: Mr. Gordon Richardson, Governor of the Bank of England. (Room 15, 4.30 pm). Public Accounts. Subject: Local Autonomy of the National Health Service Authorities and central financial control by Health Departments. Witnesses: Sir Patrick Nairne, Permanent Secretary, DHSS Mr. A. L. Rennie, Scottish Home and Health Department; Mr. T. P. Hughes, Permanent Secretary, Welsh Office. (Room 16, 4.45 pm).

TOMORROW

Commons — Remaining stages of the Forestry Bill and of the Criminal Attempts Bill. Motions relating to the National Health Service (Dental and Optical charges and remission of charges) Regulations.

WEDNESDAY

Commons — British Telecommunications Bill, remaining stages.

Select Committees—Education, Science and Arts Subject: Public and Private Funding of the Arts. Witnesses: Royal Academy of Arts, Association for Business Sponsorship of the Arts. (Room 6, 10 am). Scottish Affairs. Subject: Youth unemployment in Scotland. Witnesses: Association of Directors of Education in Scotland; Scottish Community Education Centre. (Room 5, 10.30 am). Public Accounts. Subject: Local autonomy of the NHS authorities and central financial control by Health Departments. Witnesses: Sir Patrick Nairne, Permanent Secretary, Department of Health. Mr. A. L. Rennie, Secretary, Scottish Home and Health Department. Mr. T. P. Hughes, Permanent Secretary, Welsh Office. (Room 16, 4 pm). Industry and Trade. Subject: Effects of BSC's corporate plan. Witness: Sir Keith Joseph, Industry Secretary. (Room 6, 4.15 pm); Transport. Subject: Transportation in London. Witnesses: Representatives of the Department of Transport. (Room 17, 4.15 pm). Social Services. Subject: Medical Education. Witnesses: Faculty of Anaesthetists, Royal College of Radiologists, Royal College of Physicians (Genatricians); Royal College of Pathologists, Faculty of Community Medicine, College of Psychiatrists. (Room 8, 4.30 pm). Armed Forces Bill. Witnesses: Ministry of Defence officials. (Room 5, 5.15 pm).

Commons—Energy Conservation Bill, remaining stages. Motion on EEC document on research and development in biomolecular engineering and on the memorandum by Industry Department. Opposed private business will be taken at 7 pm.

Drexel acquires Ross & Partners

By Peter Montagnon, Euromarkets Correspondent

THE U.S. investment house, Drexel Burnham Lambert, has acquired the entire share capital of the Eurobond trading concern Ross and Partners Securities for an undisclosed sum.

Ross and Partners, which was previously owned by Marlon House Holdings, will continue trading under its own name from its offices in Finsbury Square.

Ross and Partners specialises in making markets for newly-issued bonds. A merger of this type had been rumoured in the Eurobond markets for some time in view of the difficult conditions prevailing in the secondary Eurobond markets.

Drexel Burnham Lambert *plans no change in its own* Eurobond syndication activities. It has designated one of its senior executives, Mr. Roger Jospe, to be chairman of Ross and Partners, while Mr. Stanley Ross will continue as chief executive.

Improvement at Eurofima

By John Wicks in Zurich

EUROFIMA, the railway owned company for the financing of rolling stock, is to pay the maximum statutory dividend of 4 per cent for 1980 after a rise in net income from SwFr 18.1m to SwFr 19m ($9.74m).

Eurofima, whose balance-sheet total rose by 12.6 per cent to SwFr 6.04bn, expresses its confidence in 1981.

ADB capital market borrowing to grow

BY RICHARD C. HANSON IN TOKYO

THE Asian Development Bank, the Manila-based bank founded 13 years ago to aid the economies of Asia, expects its demand on world capital markets to rise sharply over the next two years.

At present the bank is having *to borrow around $500m a year* in this way. By 1983 the figure could be up to $1bn, says Mr. Yukuji Miyazaki, the acting treasurer.

Such an expectation, says Mr. Miyazaki, reflects the rapidly rising demand for funds within Asia, where the ADB's lending *on ordinary* account has been growing at between 15 and 20 per cent annually.

But the bank is worried that its capacity to provide the so-called soft loans from its own capital is in danger of falling behind. ADB's public borrowings already exceed the value *of its paid in capital. Winning* another round of capital increases from the members may prove a long and difficult task, especially in the light of *the growing mood of frugality* in the U.S. Government, which after Japan, is the largest source of ADB capital.

Mr. Miyazaki, in Tokyo to sign its sixth series bond Samurai (the name given to foreign borrowing of this kind in Japan) issue, said that that ADB will borrow $650m this *year, an increase of about 50* per cent from last year, $800-$850m in 1982 and $1bn in 1983. The ADB is confident of its ability to raise funds.

The bank won the best terms for a (yen-denominated) Samurai bond seen in the market for more than a year. Its Y15bn *issue (for 15 years)* was made on a coupon of 8.3 per cent at a price of 99.65 per cent. It had the honour of becoming the 100th borrower to issue in the Samurai market in Tokyo. This seems particularly appropriate since it was the ADB which pioneered the *Samurai market by making* the first-ever issue more than a decade ago.

The bank plans to follow up the Tokyo issue in mid-April *with a Euroyen issue in* Europe of Y15bn ($72m).

Marubeni share issue

BY JOHN MAKINSON

MARUBENI Corporation, the Japanese trading group, is planning an issue of 25m shares which *should* raise around $40m. The shares are being offered in the form of European Depositary Receipts and *will be* denominated in dollars.

The offer will be priced at a discount to the Tokyo closing price of Marubeni shares on April 7. The shares closed at Y360 ($1.71) in Tokyo on Friday. The lead manager of the issue is Nomura Securities, which *should* be joined by nine other managers.

In the year to March 1980, *Marubeni reported consolidated* net income of Y17.2bn ($82.1m) on sales of Y8,740bn ($41.6bn). The new shares, denominated in units of 10,000, will be listed in Luxembourg.

Flat result by National Iron & Steel

By Georgie Lee in Singapore

THE SLUMP in the world steel industry is reflected in the 1980 results of National Iron and Steel Mills, the part-Singapore government-owned concern. The company has reported a 3 per cent fall in group operating profit to S$40.6m (U.S.$19.4m), *despite a 28.6 per cent rise in* turnover to S$313.4m (U.S.$ 152.1m).

However, aided mainly by a 68 per cent increase in investment and interest income to S$8m, the group chalked up the small rise of 4.3 per cent to S$49.2m in pre-tax profit. Group post-tax profit was 3.6 per cent higher at S$28.9m.

National Iron has declared a final gross dividend of 8 per cent and a bonus gross dividend of 7 per cent, making an unchanged total of 28 per cent for the full year.

● GROUP pre-tax profit at the *major* Singapore property developer, United Overseas Land (UOL), for 1980 was almost unchanged at S$9.65m (U.S.$4.6m). However, be*cause of an* 11 per cent decline in the tax provision, post-tax profit went up by 23 per cent to S$4.3m.

Elsevier cuts payout

Elsevier-NDU, the Dutch publisher which suffered a sharp fall in profits for 1980, is maintaining its cash dividend for the year but not making a distribution of shares.

The cash dividend is once again Fl3.75. For 1979 share*holders* also received a 5 per cent distribution of stock.

The company's net profits fell by more than a fifth to Fl40.6m ($17.5m) last year, or to Fl28.9 a share from Fl36.9.

PENDING DIVIDENDS

	Date	Announcement last year
Assoc. Biscuit	Apr. 10	Final 2.44
*Aurora	Apr. 3	Final 4.81
*BICC	Apr. 8	Final 5.82
*Babcock Intl.	Apr. 1	Final 5.76
*Bank of Scotland	Apr. 14	Final 7.75
Barrow Hepburn	Apr. 16	Final 1.4
Blue Circle	Apr. 23	Final 8.7
*Booker McConnell	Mar. 31	Final 7.5
*Bowater	Apr. 9	Final 7.25
Brown Boveri Kent	Apr. 22	Final 7.2
Burmah Oil	Apr. 16	Final 5.0
*Cape Inds.	Mar. 31	Final 7.3
Comb. Eng. Stores	Mar. 31	Final 1.66
Croda Intl.	Apr. 9	Final 1.6
Currys	Apr. 14	Final 6.3
Delta Gp.	Apr. 23	Final 4.16
Dunlop	Apr. 24	Final 2.65
Expanded Metal	Mar. 25	Final 2.5
*Freemans SW9	Mar. 30	Final 2.0
*GRE	Apr. 21	Final 8.5
*Gill & Duffus	Apr. 8	Final 4.0
*Glaxo	Apr. 13	Int. 3.5
*Glynwed	Apr. 8	Final 6.7
Hammerson Prop.	Apr. 15	Final 12.0
Harris Queensway	Apr. 22	Final 4.0
Hawker Siddeley	Apr. 16	Final 5.0
Hepw'th (J.)	Apr. 3	Int. 0.78
Hewdan-Stuart	Apr. 10	Final 0.95
*House of Fraser	Apr. 23	Final 4.0
KCA Intl.	Apr. 10	Final 2.5
*Kwik Save Discount	May 1	Int. 1.3
*Ladbroke	Apr. 2	Final 6.05
*Laing Props	Apr. 7	Final 2.25
Laporte	Apr. 23	Final 5.5
*Law land	Mar. 31	Final 0.75
*Legal and General	Apr. 1	Final 5.0
London Brick	Apr. 3	Final 2.632
*Lead Inds.	Apr. 1	Final 5.98
*Marks & Spencer	May 20	Final 1.9
N.E.I.	Apr. 17	Final 2.5
*Ocean Transport	Mar. 30	Final 4.6
Peachey Prop.	Apr. 2	Int. 1.5
*Pearl Assurance	Apr. 15	Final 12.0
Pearson Longman	Apr. 22	Final 4.905
Pearson (S.)	Apr. 22	Final 6.25
*Phoenix Assurance	Apr. 1	Final 7.5
R.M.C.	Apr. 16	Final 4.9
*Reckitt and Colman	Apr. 1	Final 6.0
*Reed (Austin)	Apr. 2	Final 2.46
Rio Tinto-Zinc	Apr. 16	Final 10.5
Rowntree Mackintosh	Apr. 15	Final 4.75
*Rugby Portland Cement	Apr. 13	Final 2.5
Samuel Props.	Mar. 27	Int. 1.1
*Scottish Metropltn.	Apr. 7	Int. 1.25
*Smith Inds.	Apr. 14	Int. 3.7
*Standard Chartered Bk.	Apr. 7	Final 16.0
*Sun Alliance	Apr. 1	Final 14.5
*Tarmac	Apr. 28	Final 8.75
Taylor Woodrow	Apr. 10	Final 10.157
Tozer Kemsley	Apr. 22	Final 3.18
Vickers	Apr. 24	Final 5.984
*Weir	Apr. 1	Final nil
*Wimpey (G.)	Apr. 30	Final 1.5

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

CORAL INDEX: Close 517-522 (+1)

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12¼	½-year	1,000	1-2
Redbridge (01-478 3020)	13½	½-year	200	6

Public Works Loan Board rates

Effective from March 28

Years	Quota loans repaid by †	by EIP‡	At maturity§	Non-quota loans 'A'* repaid by †	by EIP‡	At maturity§
Up to 5	12½	12⅞	13¼	13	13⅜	13¾
Over 5, up to 10	13⅛	13¼	13⅝	13⅝	13¾	14
Over 10, up to 15	13⅜	13½	13¾	13⅞	14	14⅛
Over 15, up to 25	13½	13⅝	13⅝	14	14	14
Over 25	13⅜	13½	13½	14	14	14

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. ‡ Equal instalments of principal. † Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Bk.	12 %
American Express Bk.	12 %
Amro Bank	12 %
Henry Ansbacher	12 %
AP Bank Ltd.	12 %
■ Arbuthnot Latham	12 %
Associates Cap. Corp.	12 %
Banco de Bilbao	12 %
BCCI	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½%
Barclays Bank	12 %
Beneficial Trust Ltd.	13 %
Bremar Holdings Ltd.	13 %
Brit. Bank of Mid. East	12 %
■ Brown Shipley	12½%
Canada Perm't Trust	13 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
■ Charterhouse Japhet	12 %
Choulartons	12 %
C. E. Coates	12 %
Consolidated Credits	14 %
Co-operative Bank	*12 %
Corinthian Secs.	12 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	12 %
Eagil Trust	12 %
E. T. Trust Limited	12 %
First Nat. Fin. Corp.	16½%
First Nat. Secs. Ltd.	16 %
Robert Fraser	12 %
Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Hongkong & Shanghai	12 %
Keyser Ullmann	12 %
Knowsley & Co. Ltd.	14 %
Langris Trust Ltd.	12 %
Lloyds Bank	12 %
Mallinhall Limited	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Rossminster	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Slavenburg's Bank	12 %
E. S. Schwab	12 %
Standard Chartered	‖12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
TCB Ltd.	12 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12½%
Williams & Glyn's	12 %
Wintrust Secs. Ltd.	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 13.35% (no change).
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾%, and over £50,000 10¼%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10¼%.

CURRENCIES, MONEY and GOLD

Germany fears Polish unrest

BY COLIN MILLHAM

POLISH INDUSTRIAL unrest, which has been *simmering* on West Germany's doorstep for several months, threatened to boil over last Friday. The Deutsche Mark was already los*ing ground to the dollar on the* firmness of Eurodollar interest rates, and the Polish situation added to the German currency's weakness.

Presumably it is not the thought of Soviet tanks rolling across the West German plane that worries the foreign exchange market, since any interest in *financial matters may have* become purely academic by then. It is more than implication for the German economy of an end to East-West trade brought about by any outside intervention in Polish affairs.

Trade with East Gerany, the Soviet Union and the Eastern bloc in general is of more significance to West Germany than other Western countries. Poland is of much greater strategic importance to the West than Afghanistan, and although part of the Warsaw Pact, any invasion must bring a firm response from the U.S., and the possibility of a new era of "Cold War."

This could not come at a worse time for West Germany, which is already suffering from a heavy balance of payments deficit, and can ill afford to lose its trade with the Communist bloc. Even news that Germany's current account deficit was cut to DM 1.6bn in February from DM 5.1bn a month earlier, while *the trade figures showed a* surplus of DM 864m, compared with a deficit of DM 923m in January, had no impact on the Deutsche Mark, which weakened slightly against the dollar on publication of the figures on Friday morning.

The strength of the D-mark against its European partners *has been largely a reflection of* the recent rise in Frankfurt interest rates. The Bundesbank acted to prevent any easing of German rates on Friday by announcing a repurchase agreement involving securities. This will add liquidity to the banking system, but is only intended to replace an earlier repurchase *agreement which ran out on* Thursday, and is offered at 12½ per cent, compared with the special Lombard rate of 12 per cent.

Interest rates are as high as the authorities can reasonably eexpect to keep them, and indeed would prefer a much lower level. An improvement in *the fundamentals surrounding* the economy is now required, and the situation in Poland is providing little comfort.

THE POUND SPOT AND FORWARD

March 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2175-2.2435	2.2270-2.2290	0.30-0.40c dis	−2.31	1.40-1.50dis	−2.60
Canada	2.6410-2.6610	2.6430-2.6450	1.05-1.15c dis	−4.99	2.70-2.85dis	−4.20
Nethlnd.	5.20-5.30	5.22-5.23	1½-½c pm	2.30	3½-2½ pm	2.30
Belgium	77.00-78.50	77.20-77.30	10-20c dis	−2.33	40-60 dis	−2.33
Denmark	14.79-15.04	14.80-14.82	par-1¾ore dis	−0.71	3¾-5¾ dis	−1.25
Ireland	1.2900-1.3130	1.2910-1.2925	0.14-0.27p dis	−1.90	0.51-0.66dis	−1.81
W. Ger.	4.70-4.79	4.70½-4.71½	¼pf pm-¼ dis	—	par-½ dis	−0.21
Portugal	125.00-127.50	127.25-127.45	20-70c dis	−3.30	25-165 dis	−4.46
Spain	180.30-183.50	182.00-182.20	40-65c dis	−4.06	175-235 dis	−4.18
Italy	2,362-2,384	2,363-2,365	13½-15½ lire dis	−7.49	45-48 dis	−7.87
Norway	12.08-12.26	12.12-12.14	1½ore pm-par	0.74	2-½ pm	0.37
France	11.10-11.21	11.10-11.11	1½-½c pm	1.08	1 pm-par	0.18
Sweden	10.21-10.40	10.33-10.35	2-3¼ore dis	−2.83	7¼-8¼ dis	−3.05
Japan	466-478	470-471	3.45-3.35y pm	4.84	8.90-8.70 pm	4.53
Austria	33.55-34.05	33.58-33.63	7-2gro pm	1.61	15-5 gro pm	1.25
Switz.	4.28-4.35	4.29-4.30	2¼-1¾c pm	4.89	5¼-4¾ pm	4.42

Belgian rate is for convertible francs. Financial franc 79.45-79.55. Six-month forward dollar 2.95-3.05c dis. 12-month 5.30-5.50c dis.

THE DOLLAR SPOT AND FORWARD

March 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2175-2.2435	2.2270-2.2290	0.38-0.48c dis	−2.31	1.40-1.50dis	−2.60
Ireland†	1.7010-1.7250	1.7150-1.7250	0.15-0.05c pm	0.70	0.25-0.35dis	−0.70
Canada	1.1880-1.1890	1.1867-1.1870	0.37-0.42c dis	−3.89	0.50-0.55dis	−1.77
Nethlnd.	2.3520-2.3610	2.3575-2.3605	0.87-0.87c pm	4.42	2.62-2.52 pm	4.37
Belgium	34.67-35.00	34.67-34.69	1c pm-2½ dis	−0.26	1 pm-2½dis	−0.09
Denmark	6.6700-6.7150	6.7000-6.7050	0.95-0.45ore pm	1.25	2.50-2.00 pm	1.34
W. Ger.	2.1140-2.1430	2.1145-2.1155	0.40-0.34pf pm	2.10	1.26-1.20 pm	2.33
Portugal	57.15-57.45	57.27-57.42	10c pm-20 dis	−1.05	25pm-50dis	−0.87
Spain	81.10-82.05	81.70-81.80	—	—	par-½ dis	−0.15
Italy	1,055-1,069	1,059-1,060	3½-4½ lire dis	−4.81	13-15 dis	−5.28
Norway	5.4180-5.4475	5.4210-5.4260	1.30-0.80ore pm	2.32	4.15-3.65 pm	2.88
France	4.9800-4.9850	4.9800-4.9850	1.40-1.30c pm	3.42	3.70-3.50 pm	2.87
Sweden	4.6260-4.6410	4.6250-4.6270	0.25-0.45ore dis	−0.91	0.95-0.75dis	−0.58
Japan	211.00-213.50	211.20-211.30	1.35-1.20y pm	7.24	3.85-3.70 pm	7.16
Austria	15.00-15.18	15.07½-15.08½	8.10-7.50gro pm	6.31	25.00-21.00 pm	6.11
Switz.	1.9200-1.9520	1.9295-1.9305	1.14-1.04c pm	6.78	3.30-3.20 pm	6.73

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Mar. 27		Mar. 26	
Gold Bullion (fine ounce)				
Close	$538-541	(£241¾-243¼)	$538-541	(£238-240)
Opening	$548-551	(£244¾-246¼)	$533-536	(£235¾-237¼)
Morning fixing	$547.25	(£244.199)	$534	(£236.283)
Afternoon fixing	$538.75	(£241.430)	$539.50	(£238.664)
Gold Coins				
Krugerrand	$556½-558	(£249½-250)	$558½-560	(£246¾-248¾)
1/2 Krugerrand	$287-289	(£128¾-129¼)	$292-293	(£130¾-131½)
1/4 Krugerrand	$146-148	(£65¼-66¼)	$147-148	(£65¼-65¾)
1/10 Krugerrand	$61-63	(£27¼-28¼)	$62-63	(£27½-28)
Mapleleaf	[illegible]	[illegible]	[illegible]	[illegible]
New Sovereigns	$135½-136½	(£60¾-61¼)	$135½-136½	(£60¾-61¼)
King Sovereigns	$152-156	(£68¼-69¾)	$152-156	(£68¼-69¾)
Victoria Sovs.	$152-154	(£68¼-69¼)	$152-154	(£68¼-69¼)
French 20s	$134-136	(£60-61)	$134-136	(£60-61)
50 pesos Mex.	$670-675	(£301¼-304)	$670-675	(£297¼-300)
100 Cor. Austria	$530-535	(£237½-239½)	$517-521	(£228½-230)
$20 Eagles	$645-648	(£288½-290½)	$635-640	(£282½-284½)

OTHER CURRENCIES

Mar. 27	£	$		£ Note Rates
Argentina Peso	5849-5859	2559-2568	Austria	33.35-33.75
Australia Dollar	1.9145-1.9165	0.8610-0.8615	Belgium	79.50-80.30
Brazil Cruzeiro	169.35-170.35	76.15-76.53	Denmark	14.85-15.00
Finland Markka	8.99¼-9.01¼	4.0810-4.0850	France	11.12-11.22
Greek Drachma	115.861-118.858	51.75-51.95	Germany	4.73-4.77½
Hong Kong Dollar	11.786-11.808	5.2885-5.2925	Italy	2320-2420
Iran Rial	166.50*	74.20*	Japan	472-479
Kuwait Dinar(KD)	0.611-0.617	0.2739-0.2742	Netherlands	5.24-5.29
Luxembourg Frc.	77.20-77.30	34.67-34.69	Norway	12.10-12.22
Malaysia Dollar	5.0940-5.1060	2.2855-2.2895	Portugal	123-127
New Zealand Dlr.	2.4245-2.4295	1.0905-1.0915	Spain	187-196½
Saudi Arab. Riyal	7.47-7.53	3.3500-3.3520	Sweden	10.31-10.41
Singapore Dollar	4.6505-4.6685	2.0865-2.0905	Switzerland	4.31-4.35½
Sth. African Rand	1.7835-1.7900	0.8000-0.8035	United States	2.21¾-2.23¾
U.A.E. Dirham	8.19-8.26	3.6720-3.6740	Yugoslavia	76-82

Rate given for Argentina is free rate. *Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 27)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 3/8	offer 15 1/2	bid 15 3/8	offer 15 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12⅛-12⅜	14⅞-15⅛	16-17	8⅞-9	¼-1	11¼-11⅞	11⅝-11⅞	18-20	9⅛-10⅛	8-8¼
7 days' notice	12⅛-12⅜	15-15¼	16-17	9¼-9⅜	13-13¼	12⅛-12⅜	9¼-9⅜	18-20	12-13	8⅛-8⅜
Month	12⅜-12⅝	14⅞-15⅛	17¼-17⅝	10¼-10⅜	8⅛-8⅜	12⅛-12⅜	11⅝-11⅞	19½-20½	12-13	7¾-8
Three months	12⅜-12⅝	15⅛-15⅜	17-17⅜	10⅛-10⅜	8¼-8⅜	12⅛-12⅜	12¾-13	20-21	15¼-15¾	7⅝-7⅞
Six months	12⅜-12⅝	15¼-15½	15⅞-16⅛	10⅛-10⅜	8-8⅛	12-12⅛	13¼-13⅝	20-21	15-15½	7⅝-7⅞
One Year	12⅝-12⅞	15-15¼	15⅞-16⅛	10⅛-10⅜	7⅞-8	11¼-11⅝	13-13½	20-21	14¼-15	7⅝-7⅞

SDR linked deposits: one-month 12⅞-13⅛ per cent; three-months 13⅛-13⅜ per cent; six-months 13⅛-13⅜ per cent; one-year 12⅞-13⅛ per cent.
ECU linked deposits: one-month 12⅞-13⅛ per cent; three-months 13⅛-13⅜ per cent; six-months 13⅛-13⅜ per cent; one year 13-13¼ per cent.
Asian $ (closing rates in Singapore): one-month 15⅛-15¼ per cent; three months 15⅛-15¼ per cent; six-months 15⅛-15¼ per cent; one-year 15⅛-15¼ per cent. Long-term Eurodollar two years 14⅜-15⅛ per cent; three years 14⅜-15⅛ per cent; four years 14⅜-15⅛ per cent; five years 14⅜-15⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.45-14.55 per cent; three-months 14.60-14.70 per cent; six-months 14.60-14.70 per cent; one-year 14.40-14.50 per cent.

LONDON MONEY RATES

Mar. 27 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-13	11⅛-12⅛	—	—	11-12¼	5-12	—	—	—
2 days notice	—	—	12¼-12⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅛-12⅞	12⅛-12⅞	—	—	12⅞	12	—	—	—
One month	12⅛-12⅜	12⅛-12⅜	12⅛-12⅞	14-13¾	12⅞	12⅞	11⅞	11⅝	11⅝-11⅞	12⅜
Two months	12⅛-12⅜	12⅛-12⅜	—	13⅞-13⅝	—	—	12	11⅝	11⅝-11⅞	12⅝
Three months	12⅛-12⅜	12⅛-12⅜	12⅞-12⅞	13⅜-13⅛	12⅞	12⅞-13	11⅝-11⅞	11⅛	11⅝-11⅞	12⅝
Six months	12⅛-12⅜	12⅛-12⅜	12⅞-12⅞	12⅞-12⅝	12⅞	—	—	—	—	—
Nine months	12-12⅛	12-12⅛	—	12⅜-12⅛	12⅞	—	—	—	—	—
One year	12⅛-12⅜	12⅛-12⅜	12⅛	12⅜-12⅛	12⅞	—	—	—	—	—
Two years	—	—	12⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 12¾-13 per cent; four years 13-13¼ per cent; five years 13¼-13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅝-11¾ per cent; four-months trade bills 12⅜ per cent.

Approximate selling rate for one-month Treasury bills 11⅜-11½ per cent; two-months 11⅜-11½ per cent; three-months 11⅜ per cent. Approximate selling rate for one-month bank bills 11⅝ per cent; two-months 11⅝-11¾ per cent; three-months 11⅝-11¾ per cent; one-month trade bills 12 per cent; two-months 12¼ per cent and three-months 12⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from March 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.5335 per cent.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest renunc. date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
160	F.P.	3/4	195	170	British Aerospace 50p	195	+4	b7.8	2.0	5.7	12.5
10	F.P.	27/3	18	15	‡Crest Intl.Secs. 10p	18					
100	F.P.	1/5	105	100	[illegible]	102					
‡‡	F.P.	30/4	113	112	‡Eglinton Oil & Gas	160	+5				
[illegible]	F.P.		[illegible]	[illegible]	Expro (Tyne Pn)	[illegible]					
[illegible]	F.P.		[illegible]	[illegible]	Munton Bros. 10p	[illegible]					
[illegible]	F.P.		[illegible]	[illegible]	Nat. West Oil Trust	[illegible]					
			57	44	Do. Warrants	[illegible]					
42	F.P.	15/5	45	[illegible]	Oil & Gas Production	39					
[illegible]	F.P.	13/5	[illegible]	[illegible]	Do. [illegible]	[illegible]					
100	F.P.		101½	98	T. R. Energy	99					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest renunc. date	1981 High	1981 Low	Stock	Closing Price £	+ or −
77	F.P.	1/5	74	70	Cystic Fibrosis Res'ch In. Tst. 6%Deb.'86	70	
[illegible]	£20	27/5	102	97¼	Ireland 14½% 016	97¼	
[illegible]	£10		11	10	Mid-Sussex Water 8% Pref. 1986	10	
[illegible]	F.P.	30/3	103	102	[illegible]	[illegible]	
[illegible]	F.P.	30/5	170p	147p	Sterling Credit 8% Cnv. Red. Cum. Prf.	166p	
[illegible]	F.P.	28/5	108¼	103¼	[illegible]	108	
[illegible]	£10		11	10	West Hampshire Water 8% Red. Prf. '86	10½	

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −
184	F.P.	9/3	206	171	Assoc. Dairies	206	+5
44	Nil	24/3	15pm	15pm	Barker & Dobson A	15pm	
[illegible]	Nil		360pm	175pm	Broken Hill Prop.	250pm	
[illegible]	Nil		5pm	1pm	M.I.	5pm	
45	F.P.		50	43	Paradise B.	48	+1
[illegible]	Nil		50	47pm	Woodside	45pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. † Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

CURRENCY RATES

Mar. 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.547210	0.534730
U.S. $	13	1.22274	1.19389
Canadian $	16.60	1.45262	1.41894
Austria Sch.	6¾	18.3973	17.9690
Belgian F.	12	42.6797	41.6740
Danish K.	11	8.19298	7.98853
D mark	7½	2.60077	2.54179
Guilder	9	2.88385	2.81400
French Fr.	9½	6.13571	5.99293
Lira	19	1289.49	1267.61
Yen	6¼	259.223	253.070
Norwgn. Kr.	9	6.65782	6.47994
Spanish Pts.	8	108.46	102.978
Swedish Kr.	12	5.68316	5.54875
Swiss Fr.	4	2.36861	2.31328
Greek Dr'ch.	20½	—	61.7838

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Delta Group

DWS Deutsche Ges. F. Wertpapiersp.

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity International Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Assicurazioni GENERALI S.p.A.

Granville Management Limited

Hambro Pacific Fund Mgmt. Ltd.

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

International Pacific Inv. Mgmt. Ltd.

Jardine Fleming & Co. Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Group

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International Geneva

M & G Group

Samuel Montagu Ldn. Agts.

Murray, Johnstone (Inv. Adviser)

Negit S.A.

N.E.L. International Ltd.

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Pacific Basin Fund

Phoenix International

Quest Fund Mngmnt. (Jersey) Ltd.

Rothschild Asset Mgt. (C.I.)

Rothschild Asset Mgt. (Bermuda)

Save & Prosper International

Schroder Life Group

Schroder Mgt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Singer & Friedlander Ldn. Agents

Standard Chartered Intl. Bd. Fd.

Stronghold Management Limited

Surinvest (Jersey) Ltd.

TSB Unit Trust Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tyndall Group

Utd. Intnl. Mngmnt. (C.I.) Ltd.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

Wren Commodity Management Ltd.

NOTES

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	60.7	64.4	+0.1	2.24
Abbey Capital	47.3	51.1	—	4.80
Abbey General	57.0	61.6	+0.1	4.99
Abbey Gilt & F.I. Tst.	106.7	112.3xd	+0.1	11.67
Abbey Income	36.5	39.4	+0.2	8.91
Abbey W'Wide Bd Tst.	93.8	99.3	+0.2	6.75
Abbey Inv. Tst. Fd.	51.3	55.5	+0.3	4.58
Equitas Prog. Tst.	82.7	89.4	+0.2	4.57

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	87.5	92.1	+0.1	12.65

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	91.1	97.5xd	+0.2	5.74
Brit. Inds. Fund	79.6	85.2	—	5.99
Growth & Income	52.6	56.3	—	4.80
Elect. & Ind. Dev.	46.5	49.8	+0.2	5.02
Allied Capital	98.5	105.4xd	-1.4	4.17
Hambro Fund	135.3	144.8	+0.3	5.97
Hambro Acc. Fund	187.0	200.1	+0.5	4.55
Income Funds				
High Yield Fd.	66.9	71.6xd	+0.4	8.38
High Income	81.2	86.9xd	+0.2	7.45
Equity Income Fd.	46.8	50.1	+0.3	7.31
Govt. Secs.	26.5	27.2	+0.1	11.40

International Funds

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.2	45.5	+0.2	0.55
Cres. Internat'l.	83.2	89.8	+1.1	1.74
Cres. High. Dist.	45.9	49.5	+0.6	9.60
Cres. Reserves	51.3	55.4	—	4.30
Cres. Tokyo	34.3	37.0	+0.7	0.94

Barlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.2	25.6	—	9.18

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Mar. 27	249.5	266.1	+13.7	4.88

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.5	20.4	—	6.93
Gt. Winchester O'seas	27.6	30.6	—	3.47

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	90.3	95.0	+0.1	4.57

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	37.5	40.4	+0.2	0.66
Amer. Spec. Sits. (z)	26.9	29.0	+0.4	0.69
Gilt + Fixed Int.	25.7	27.0	—	11.71
Growth + Income	32.7	35.2	+0.2	6.81
Maximum Inc. Eq. Tst.	27.6	29.7xd	+0.4	8.49
Special Sits.	41.4	44.6	+0.1	1.74

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP.

Equity Accum. (2)	252.9			

Local Authorities' Mutual Invest. Tst.
77, London Wall, EC2N 1DB.

Pro. Fund Feb. 28		148.70		
Wider Fund Feb. 28		265.60		
Narrower Fd. Feb. 28		76.85		

*Unauthorised. Available only to Local Authorities.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ.
See also Stock Exchange Dealings.

American	65.9			
(Accum. Units)	70.7			
American Recovery	73.9			
(Accum. Units)	76.0			
Australasian	116.0			
(Accum. Units)	121.4			
Commodity	145.1			
(Accum. Units)	170.7			
Compound Growth	191.7			
Conversion Growth	119.5			
Conversion Inc.	73.4			
Dividend	134.1			
(Accum. Units)	298.4			
European	61.5			
(Accum. Units)	67.4			
Extra Yield	84.0			
(Accum. Units)	136.5			
Far Eastern	118.6			
(Accum. Units)	135.6			
Fund of Inv. Tsts.	95.9			
(Accum. Units)	128.2			

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS

MINES—Continued

Australian

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc.

PROPERTY

INSURANCE

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
November		McLeod Russel £1					
May	Nov.	Moran £1	275	23	20.0	0.8	‡
Apr.	Dec.	Williamson £1	260	23	12.5	2.4	8.6

Sri Lanka

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Apr.	Dec.	Lunuva £1	390	10.11	†17.0	1.0	6.2

Africa

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Apr.	Oct.	Ruo Estates	60	25.2	1.0	4.3	2.4

MINES

Central Rand

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
February		Durban Deep R1	£11½	24.12	Q460c	2.7	22.9
Aug.	Feb.	East Rand Prp. R1	276	24.12	Q370c	3.1	25.2
Aug	Feb.	Randfont'n Est. R2	£28½	26.1	Q1100c	ϕ	22.1
Aug.	Feb.	West Rand R1	168	24.12	Q17½c	ϕ	6.0

Eastern Rand

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
May	Nov.	Bracken 90c	179	29.9	‡Q84c	1.5	‡
—		Cons. Modd'tein 5c.	25	—	—	—	—
Sept.	Mar.	East Dagga R1	105	9.2	Q15c	ϕ	8.3
Dec.	June	ERGO R0.50	453	10.11	†Q120c	1.5	13.3
Aug.	Feb.	Grootvlei 25c	409	24.12	Q204c	1.2	28.5
May	Nov.	Kinross R1	685	29.9	‡Q191c	1.4	‡
May	Nov.	Leslie 65c	155	29.9	Q50c	1.4	23.9
Aug.	Feb.	Marievale R0.25	175	24.12	Q120c	1.0	39.2
Mar.	Sept.	S. African Ld. 35c	323	9.2	Q55c	ϕ	9.7
Aug.	Feb.	Viakfontein 90c	126	24.12	Q40c	1.4	18.2
May	Nov.	Winkelhaak R1	£15⅝	29.9	†Q453c	1.5	17.3
September		Wit. Nigel 25c	101	13.8	Q3c	13.5	1.7

Far West Rand

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Feb.	Aug.	Blyvoor 25	730	24.12	†Q225c	1.1	22.3
Feb.	Aug.	Buffels	£28⅝	24.12	†Q590c	1.5	16.8
—		Deelkraal R0.20	224	24.12	Q5c	3.2	1.3
Feb.	Aug.	Doornfontein R1	944	24.12	■Q120c	3.7	7.3
Aug.	Feb.	East Drie R1	£13	24.12	Q340c	1.2	15.0
December		Elandsrand Gld. 20c	315	—	—	—	—
Feb.	Aug.	Elsburg R1	211	26.1	Q79c	ϕ	21.2
Feb.	Aug.	Hartebeest R1	£29	30.6	†Q1025c	1.2	20.2
Feb.	Aug.	Kloof Gold R1	£15⅜	24.12	†Q520c	1.3	11.9
Feb.	Aug.	Libanon R1	876	24.12	†Q205c	3.0	13.1
Mar.	Aug.	Southvaal 50c	£13⅜	9.2	Q430c	ϕ	16.4
Aug.	Feb.	Stilfontein 50c	955	24.12	Q469c	ϕ	27.6
Mar.	Sept.	Vaal Reefs 50c	£33	9.2	Q1350c	ϕ	22.9
Feb.	Aug.	Venterspost R1	629	24.12	†Q260c	1.6	18.2
Feb.	Aug.	W. Drie R1	£34⅝	24.12	†Q1150c	1.3	19.0
Feb.	Aug.	Western Areas R1	301	26.1	Q120c	ϕ	22.8
Mar.	Sept.	Western Deep R2	£23¾	9.2	Q800c	ϕ	19.7
Feb.	Aug.	Zandpan R1	517	24.12	†Q173c	1.0	19.2

O.F.S.

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Mar.	Sept.	Free State Dev. 50c	270	9.2	†Q35c	1.6	7.4
Jan.	Dec.	F.S. Geduld 50c	£22⅞	10.11	Q950c	1.9	23.7
—		F.S. Saaiplaas R1	341	9.75	ϕ—	—	—
May	Nov.	Harmony 50c	888	29.9	Q360c	ϕ	25.0
—		Loraine R1	220	9.75	—	—	—
Jan.	Dec.	Pres. Brand 50c	£23½	10.11	Q695c	2.2	19.4
Jan.	Dec.	Pres. Steyn 50c	£79¼	28.4	Q655c	1.4	19.8
May	Nov.	St. Helena R1	£19⅝	29.9	†Q723c	1.3	25.0
May	Nov.	Unisel	377	29.9	Q80c	2.0	12.7
Jan.	Dec.	Welkom 50c	775	10.11	ϕQ280c	1.3	20.7
Jan.	Dec.	W. Holdings 50c	£34	10.11	ϕQ1500c	1.1	25.2

Finance

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Apr.	Sept.	Ang. Am. Coal 50c	£35	2.3	Q108c	3.0	4.1
Jan.	Jly.	Anglo Amer. 10c	690	6.12	†Q70c	1.9	5.8
May	Oct.	Ang. Am. Gold R1	£49½	1.9	Q1150c	ϕ	16.1
Feb.	Aug.	Ang-Vaal 50c.	£16	24.12	†Q230c	ϕ	7.3
Jan.	July	Charter Cons. 2p	243	8.12	†s8.0	3.2	4.5
May	Dec.	Cons. Gold Fields	467xd	16.3	§22.5	2.2	6.9
July	May	East Rand Con. 10p	25	31.4	1.05	1.7	5.8
Oct.	May	Gencor 40c	850	15.9	Q150c	ϕ	10.6
Oct.	Dec.	Gold Fields S.A. 25c.	£38¾	2.3	†Q400c	1.9	7.6
Feb.	Oct.	Jo'burg Cons. R2	£32	12.1	†Q475c	2.1	8.5
Aug.	Feb.	Middle Wit 25c	690	24.12	†Q55c	2.2	5.4
Mar.	Oct.	Minorco $BD1.40	700	2.3	ϕF090c	1.3	1.9
Mar.	Sept.	New Wit 50c	186	9.2	†Q36c	1.4	11.1
—		Patino NV Fls.5	£16⅝	11.75	QC50c	ϕ	1.1
Nov.	Oct.	Rand London 15c.	250	13.10	Q13c	3.1	3.0
October		Rand London Coal	104	13.10	bQ14c	2.6	7.3
October		Do. Part. Cum. Prf.	37	13.10	bQ11.3c	—	16.9
—		Rand Min. Props.	305	—	Q24c	2.1	4.5
Aug.	Feb.	Sentrust 10c	359	9.2	NQ72c	1.6	11.5
May	Oct.	Silvermines 2½p	125	29.9	[illegible]	3.2	2.6
Aug.	Nov.	Tanks Con. 50p	340	13.10	Q12.0	1.6	3.5
Jan.	July	Do. Pref. 80p	90	10.12	Q9%	27.7	8.0
July	Jan.	T'vaal.Cons.Ld.R1	£23½	24.11	Q215c	3.5	5.2
Sept.	Apr.	U.C. Invest R1	550	2.3	Q150c	1.3	15.6
Sept.	Mar.	Vogels 2½c	95	9.2	Q16c	ϕ	9.6

Diamond and Platinum

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
Nov.	May	Anglo-Am. Inv. 50c	£42½	13.10	†Q850c	1.3	11.6
Apr.	Oct.	De Beers Df. 5c	396	29.9	Q75c	ϕ	11.4
Jan.	Aug.	Do. 40pc Pf. R5	750	24.12	Q200c	ϕ	15.2
Apr.	Oct.	Impala Plat. 20c	460	2.3	Q100c	2.1	14.3
Nov.	May	Lydenburg 12½c	165	27.10	ϕQ33.2c	1.6	31.5
Nov.	May	Rus. Plat. 10c	236	27.10	ϕQ[illegible]	2.5	9.9

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
May		Afex Corp. 16⅔p	35	12.1	0.56	8.5	—
May	Nov.	Coronation 25c	170	29.9	Q30c	1.9	32.6
Nov.	May	Falcon Rh. 50c	409	29.9	Q205c	1.3	36.3
Apr.	Aug.	Roan Cons. K4	310	30.6	Q9.53	5.5	26.5
Nov.	May	Wankie Col. Rh.1	47	13.10	Q10c	1.7	15.1
Dec.	Oct.	Zam.Cpr.SBD0.24	39	15.9	Q3½c	0.9	5.2

Tins

Copper

Miscellaneous

NOTES

... dividend and yield. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......	**IRISH**		
Bertam	13	......	Conv. 9% '80/82	£94	......
Edg'wtr. Est. 50p	555	+5	Nat. 9¼% 84/89	£76¼	......
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£88⅞	-¼
Fife Forge	55	......	Alliance Gas	67	+5
Finlay Pkg. 5p	20	......	Arnott	235	......
Graig Ship. £1	£29	......	Carroll (P.J.)	85	+1
Higsons Brew	68	......	Concrete Prods.	90	......
Holt (Jos) 25p	425	......	Helton (Hldgs.)	38	......
I.O.M. Stm. £1	160	......	Ins. Corp.	395	......
Pearce (C. H.)	880	+10	Irish Ropes	50	......
Peel Hldgs.	92	+4	Jacob	58	+7
Sheff. Refrshmt	99	+2	T.M.G.	22	-1
Sindall (Wm.)	135	......	Unidare	82	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Utd. Drapery	6½
A. Brew	7	"Imps"	7	Vickers	14
BOC Intl.	9	I.C.L.	9	Woolworths	5
B.S.R.	4½	Imeresk	3		
Babcock	11	Ladbroke	24	**Property**	
Barclays Bank	40	Legal & Gen.	20	Brit. Land	8
Beecham	15	Lex Service	9	Cap. Counties	11
Blue Circle	30	Lloyds Bank	28	Land Secs.	35
Boots	20	"Lofs"	4	MEPC	20
Bowaters	20	London Brick	6	Peachey	8
B.A.T.	25	Lucas Inds.	28	Samuel Props.	15
Brown (J.)	6½	"Mams"	20	Town & City	2¼
Burton	10	Mrks. & Spncr	9		
Cadburys	6	Midland Bank	32	**Oils**	
Courtaulds	6	N.E.I.	7	Brit. Petroleum	56
Debenhams	8	Nat. West. Bank	32	Burmah Oil	19
Distillers	17	P & O Dfd.	12	Charterhall	11
Dunlop	7½	Plessey	25	KCA	22
Eagle Star	22	Racal Elect.	32	Premier	10
F.N.F.C.	3½	R.H.M.	4	Shell	40
Gen. Accident	30	Rank Org.	16	Tricentrol	34
Gen. Electric	50	Reed Intnl.	18	Ultramar	48
Glaxo	22	Sears	4½		
Grand Met.	14	Tesco	5½	**Mines**	
G.U.S. 'A'	46	Thorn	28	Charter Cons.	20
Guardian	32	Trust Houses	10	Cons. Gold	45
G.K.N.	16	Tube Invest.	18	Lonrho	10
Hawker Sidd.	20	Unilever	50	Rio T. Zinc	45
House of Fraser	25	U.D.T.	4½		

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FINANCIAL TIMES

Monday March 30 1981

Government studies plan to peg industrial rates

BY ROBIN PAULEY

THE GOVERNMENT is considering a plan to stop local councils increasing commercial and industrial rates by more than a centrally-determined percentage each year.

Mr. Michael Heseltine, the Environment Secretary, and some of his officials have chosen this option from a number of possibilities for reforming and controlling council spending decisions. But at least one senior civil servant thinks the idea is unworkable and will create more difficulties than it solves.

Mr. Heseltine has been searching for ways of forcing local councils to curtail their spending while at the same time protecting commerce and industry from the effects of large rate increases.

All his initiatives so far have failed. As a result, council manpower in England and Wales is still over 2m and local authority budgets for 1981-82 are expected to overshoot by £1bn on the most conservative estimates.

As a first step, Mr. Heseltine wants to impose a ceiling on business rate rises in future. This would be warmly welcomed by the Confederation of British Industry, which has been advocating such a policy.

But the plan, which will win Treasury support as it brings expenditure control further to the centre, could still founder if the Cabinet decides the political consequences are too risky.

Commercial and industrial rates are expected to rise by an average 17 per cent in April and produce about £5bn in revenue—roughly half the total rate income. If the rise were limited to 10 per cent — the projected year-on-year inflation rate for the 1981-82 financial year—the yield would be only £3bn, leaving another £2bn to be found from domestic ratepayers.

Domestic rates are to rise by an average of about 20 per cent next month.

But there are wide regional variations. In Inner London, the domestic rate will rise by an average 40 per cent or £112. The commercial and industrial rate rise will average 33 per cent.

Pegging this business rate increase to 10 per cent would have left the balance of 23 per cent to be passed on to Inner London domestic ratepayers. Londoners already face an average bill of £395 in April, compared with the national average of £235.

The plan could cause opposition among local councils. They might see the loss of autonomous local revenue raising powers as the first step towards a full system of absolute cash limits on individual councils. The Treasury has been keen to see this for some time.

Mrs. Thatcher and Mr. John Stanley, the Housing Minister, wanted the Government to set rate ceilings each year when the Conservatives first came to office.

Gas contract details emerge

BY SUE CAMERON

FIRST DETAILS of the mysterious gas contracts cited by Sir Geoffrey Howe, Chancellor, in his Budget speech as his reason for not cutting heavy fuel oil duty now beginning to emerge.

The details show that the British Gas Corporation's bill for imported Norwegian gas has been cut each time the UK duty has been increased. These cost savings have not been passed on to British manufacturers.

Sir Geoffrey used the contracts as an excuse for not cutting the £8 a tonne UK duty on heavy fuel oil — one of the highest levels of duty in Europe. The move is believed to have caused resentment in official circles in Norway.

Companies producing gas in the Norwegian sector of the North Sea are thought already to have lost substantial amounts of revenue as a direct result of the British Government's increase in heavy fuel oil duty in 1977, 1979 and 1980. It is understood that a cut in the UK duty should restore to companies what they had lost and would be welcomed.

The contracts concerned are those governing the sale of gas from the Norwegian sector of the North Sea Frigg Field to the state-owned British Gas Corporation. The contracts were signed in 1974.

Four companies have a stake in the Norwegian sector of the Frigg Field—the French-based Elf Aquitaine, which is the operator; the French-based Total; and the two Norwegian groups, Norsk Hydro and Statoil. Gas imported from the Norwegian sector of Frigg accounts for some 20 per cent of British Gas supplies.

The overall price charged to British Gas for gas supplies from the Norwegian sector of Frigg is based on a formula thought to be 25 per cent related to world oil prices, 25 per cent to the price of heavy fuel oil on the Rotterdam spot market and 50 per cent to the price of alternative fuels—including heavy fuel oil—in the UK.

But further clauses are understood to have been written into the contracts linking the level of UK duty on heavy fuel oil to the Frigg gas price.

Under these clauses, British Gas pays less for its Norwegian Frigg supplies whenever the UK duty is increased. Conversely, the price of the gas rises if the UK duty is reduced.

The clauses are believed to have been inserted purely to ensure that Frigg gas prices were 50 per cent linked to the UK price of alternative fuels—as opposed to those obtaining in France, West Germany or some other country.

The clauses were seen as a correcting factor and were not intended to have the dramatic effect they have had. It would seem that the signatories to the contracts did not expect the UK Government to raise its heavy fuel oil duty.

Banks lend more to consumers

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BANKS IN BRITAIN are winning a larger share of the consumer credit market at the expense of hire purchase companies.

The Bank of England quarterly analysis of bank advances published this morning indicates some significant shifts in the pattern of lending.

For example, the London clearing banks increased their lending to the personal sector (excluding house purchase) by just over 6 per cent between last November and this February. This contrasts with a 2¾ per cent drop in their lending to hire purchase finance houses (for consumer credit activities) over the period.

The personal sector includes some small businesses as well as the public. But the contrast is taken to indicate a shift in the share of the consumer credit market. This reflects the marketing push by the banks since last summer.

The banking system as a whole increased its lending to the personal sector by 5 per cent between November and February. Loans to hire purchase finance houses dropped by 3½ per cent.

Sterling lending to UK residents rose by 3¾ per cent to £55.1bn between November and February. However, interpretation of the data is complicated by seasonal and special factors (including fluctuations in market loans and investments which are outside the series but are a form of lending).

After making these adjustments the Bank of England reckons that "the underlying rate of increase was not very much greater than in the previous three months (which was also affected by the exceptional fall in lending in November)."

Within this total, lending to the services sector rose by 4¼ per cent with a particularly sharp rise in the category which includes leasing operations.

Table, Page 8

Weather

UK TODAY

Rain and cloud at first, dispersing later.

London, Eastern, Central, S. England
Cloudy with outbreaks of rain. Drier and sunny later except S.E. Max. 10C (50F).

Wales, N.W. England, N., E. Scotland
Mainly dry. Mist or fog will disperse. Some sunshine. Max. 13C (55F).

Midlands, S.W. England, Channel Islands
Cloudy, some rain. Winds moderate.

Outlook:
Mainly dry with sunny intervals. Warmer.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	15	59	Lisbon	R	13	55
Algiers	C	7	63	Locarno	R	9	48
Amsdm.	R	13	55	London	C	12	54
Athens	S	19	66	L. Ang †	C	13	55
Bahrain	S	25	77	Luxmbg.	S	17	63
Barclna.	F	17	63	Luxor	S	29	84
Beirut	S	18	64	Madrid	R	9	48
Belfast	F	12	54	Majorca	C	18	64
Belgrd.	S	17	63	Malaga	R	15	59
Berlin	F	12	54	Malta	F	20	68
Biarritz	F	16	61	M'chstr	C	13	55
Bmghm.	C	12	54	Melbne.	S	21	70
Blackpl.	C	15	59	Milan	C	15	59
Bordx.	R	13	55	Montrl.†	F	12	54
Boulgn.	C	15	59	Moscow	F	−1	30
Brussels	F	16	61	Munich	C	16	61
Budpst.	S	14	57	Nairobi	R	21	70
Cairo	S	23	73	Naples	C	20	68
Cardiff	C	13	55	Nwcstl.	C	11	52
Cas'b'ca	C	15	59	N York†	F	8	46
Cape T.	S	24	75	Nice	C	15	59
Chicg.†	C	13	55	Nicosia	F	19	66
Cologne	C	16	61	Oporto	C	12	54
Cpnhgn.	F	7	45	Oslo	F	5	41
Corfu	S	18	64	Paris	F	18	64
Denver†	S	−2	28	Perth	S	26	79
Dublin	C	9	48	Prague	S	15	59
Dbrvnk.	S	18	64	Rykjvk.	C	7	45
Ednbgh.	S	10	50	Rhodes	S	20	68
Faro	F	16	61	Rome	S	18	64
Florence	F	19	66	Salzbrg.	C	16	61
Frankft.	C	13	55	S'ciscot	C	11	52
Funchal	C	16	61	Singapr.	R	27	81
Geneva	F	17	63	Stckhm.	S	5	41
Gibrltr.	F	17	63	Strasbg	S	16	61
Gl'sg'w	F	12	54	Tangier	C	17	63
G'rnsey	C	12	54	Tenerife	C	16	61
Helsinki	F	1	34	Tokyo	F	14	57
H Kong	C	27	81	T'r'nto†	C	10	50
Innsbrk.	F	18	64	Tunis	F	27	81
Invrnss	S	12	54	Valencia	C	20	68
Istanbul	C	11	52	Venice	C	15	59
Jersey	C	14	57	Vienna	F	13	55
Jo'burg	S	21	70	Warsaw	S	7	45
L. Pims.	C	19	66	Zurich	S	16	61

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Prior admits some doubt about success of strategy

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR. JAMES PRIOR, Employment Secretary, acknowledged yesterday that he did have some doubts about whether the Government's policies would succeed.

In a BBC Radio interview in which he was otherwise at pains to be scrupulously loyal to Mrs. Thatcher he let slip that "as a pragmatist" he "always had a number of doubts."

He said he realised the problems many people were going through and he wanted to see the Government showing "more compassion and understanding" of these.

He spent a good deal of his time, he said, "talking to colleagues, stressing to them the importance of showing greater understanding."

Mr. Prior dismissed as "silly" the suggestion of Tory backbenchers that there was a plot to get rid of Mrs. Thatcher. He insisted the party was united.

The Government, he said, was turning the country round." It was getting some "fantastic results, and if we can get it right then the whole country could be transformed."

But for the almost open dissent in the Cabinet, over the Budget, Mr. Prior's admission that as a pragmatist he had doubts would probably pass unnoticed. But in the current climate Ministers must know their every word will be scrutinised for signs of further dissent.

Yesterday Mr. Prior went out of his way to emphasise that the party was behind Mrs. Thatcher and to stress his own belief in the "broad" strategy.

Before making his own suggestions on how to mitigate the problems of unemployment he was careful to invoke the Prime Minister's own assertion on Saturday that it was necessary to be "flexible" about tactics while at the same time sticking to the basic strategy.

But he went on to make suggestions similar to those previously made by Mr. Peter Walker, Agriculture Minister, who is known to share Mr. Prior's doubts about some aspects of the policies on how to use public investment.

Mr. Prior said the Government might have to do more to help mitigate the problems of the unemployed. He hoped that as interest rates fell and the economy was placed under control there would be some increase in investment.

It was "silly," he said, to divide public investment from private investment. "What we have got to do is to have expenditure on capital projects which show a good return on investment." Expenditure on the public sector would "flow through to the private sector."

He said that all his colleagues believed that "the sooner we can get on with this sort of scheme the better."

In spite of Mr. Prior's assertion that all his colleagues would agree that it was right to invest in capital projects in the public sector there could well be disagreement over when the Government will be able to afford such expenditure.

The Prime Minister, for example, is known to be broadly sympathetic to the investment needs of British Telecom but the Treasury still seems reluctant to sanction the money if it means an increase in the Public Sector Borrowing Requirement.

Electricity industry cuts estimate of power needs

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE electricity supply industry has substantially cut its forecasts of future power demand for the second time in as many years.

The revision has important implications for the industry's profitability and its power station building programme. It will also affect the National Coal Board, which relies on the electricity sector for about 70 per cent of its sales.

The Central Electricity Generating Board, whose financial year ends tomorrow, has sold only 215 TeraWatt (million million Watt) hours of power in the past 12 months — a fall of 2 per cent on the 219 TWh sold in 1979-80 and nearly 5 per cent down on the 226 TWh forecast when its tariffs for the year were fixed.

The immediate outlook appears little better. Although the industry is officially forecasting sales of 219 TWh in 1981-82, officials admit the final figure could be little different from this year.

Moreover, the industry has just adopted forecasts to the mid-1980s which are significantly lower than before. Sales in 1985-86 are now expected to total 232 TWh, compared with 236.6 TWh forecast last year and 255 TWh predicted in 1979. Sales are expected to reach 236 TWh in 1986-87 and 240 TWh in 1987-88.

The final sales figure will have a major impact on the amount of coal the CEGB buys from the NCB. A 2 TWh drop in power demand means a 1m tonne fall in the Generating Board's fuel needs.

The supply industry is also lowering its expectations of simultaneous maximum demand—the peak amount of power needed at any one time and a key determinant of its power station requirements. This is now expected to be 47,300 MW in 1985-86, compared with the 47,900 forecast last year and 52,400 projected in 1979. It is expected to reach 49,000 MW by 1987-88.

The figures are likely to revive controversy over the CEGB's power station ordering programme since the board is already likely to have substantial excess capacity for much of the 1980s.

Contracts are currently being placed for two new advanced gas cooled reactor (AGR) stations, one being built for the CEGB at Heysham in Lancashire and the other for the South of Scotland Electricity Board at Torness.

The Prime Minister ordered a review of the need for these stations last year when electricity demand forecasts were lowered the first time. But the Government finally accepted a recommendation by its Think Tank, the Central Policy Review Staff, that the orders should go ahead.

NCB seeks quick Belvoir approval, Page 4

Industry

Continued from Page 1

But there are no signs of a major row developing. CBI leaders have not yet managed to fund enough support among their members for a major attack on the Government. They had hoped to use their last council meeting as a springboard for a measured assault. But they were deflected by businessmen from small and medium-sized companies which insisted that an attack should be mounted specifically on the levels of public spending, not on the Budget in general.

Papers being presented to the NEDC on Wednesday by the Manpower Services Commission and the National Economic Development Office about the problems of both unemployment and regional development could however spark a sharp debate.

But the immediate clash is over the future of the recession. The CBI's economists forecast that, after ceasing to decline in the first quarter of this year, output "will resume its downward path and that the decline may not come to an end until the beginning of next year."

In a speech at the weekend Mr. Bryan Rigby, the confederation's deputy director general, warned the Government: "Beware of false dawns."

Most of the CBI's trends survey was conducted before the Budget and so does not fully reflect the increased cost problems that industry now has to face.

Trudeau

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Canadian Government formally submits a request. This will probably come at about Easter, because the Canadian Prime Minister is expected to force a closure on the debate in the Ottawa Parliament then.

The British Government has been worried for some months about the problems the Bill could cause, both for its own legislatiev time-table and for Anglo-Canadian relations.

These problems will be increased if the Canadian Government insists on including a Bill of Rights in the Bill.

Some MPs would almost certainly try to amend such a Bill even though there is some doubt as to whether this would be constitutional. The result could be that the whole Bill would be lost.

The Provincial Governments have been lobbying MPs extensively for the past few months. Until now the Canadian Government has been inhibited from doing so publicly. But as soon as it submits its request to the British Government it will launch a major lobbying effort.

National Savings hit building societies' receipts

BY MICHAEL CASSELL

BUILDING SOCIETY receipts plunged this month in the wake of increasing competition from National Savings.

Figures confirming the societies' poor performance will not be available for two weeks but early indications suggest that net receipts may have fallen by nearly £150m.

In February, the societies recorded a net inflow of £366m, which was £80m below the January level. Competition from National Savings was said to have taken about £100m in new money away fro mthe societies and the trend has clearly continued in March.

Receipts this month could be down to about £225m, although March traditionally is not a good month for savings and some element of the reduction can be attributed to seasonal factors.

The fall in net receipts, which could give the societies their worst month since June, 1980, will provide further evidence of the extent to which their position is being challenged by National Savings.

Many societies believe that, given the Government's firm commitment to raise funds from the personal sector, they can expect to lose at least £100m a month to National Savings over the foreseeable future.

Some competitive pressure on the societies may eventually be relieved by last Friday's announcement that the 19th issue of National Savings Certificates is to be withdrawn on May 11. But in the short term news of the decision could lead to a last-minute rush among investors and, consequently another poor month for building societies.

The 19th issue has attracted £1.3bn in savings since its introduction in February 1980. It is to be replaced by an issue offering lower returns.

On May 1, the rate of interest paid on National Savings Bank investment accounts will also be reduced. But these and the 21st issue (the 20th was launched last November) will remain competitive in the savings market.

The societies are more concerned about the potential impact of the reduction to 50 in the age of eligibility for index-linked National Savings Certificates — "granny bonds" — which takes effect a week today. An estimated 6½m additional savers will be able to take advantage of this and the Government is relying heavily on it to help meet the £3bn target set for National Savings during the next financial year.

THE LEX COLUMN

Gunslingers miss gilts target

It is almost like the good old days, when gunslinging fund managers promised effortless outperformance (and heavy front-end charges) to any small investor who filled in an application form. The prospect of falling interest rates, and the fiscal changes in the 1980 Finance Act, have brought a mushrooming of authorised onshore gilt-edged unit trusts. High yield is the key, with the enticing prospect of capital appreciation — although, as everyone knows, the price of units can go down as well as up.

It is difficult, in an inflationary age, to argue any case for gilt-edged unit trusts as a long-term investment (such as the fee structure demands that a unit trust should be). Anyone who thinks that inflation and interest rates are coming down in the near future can deal more cheaply, and probably more effectively, by buying a high coupon long-dated stock at his nearest Post Office.

The argument used by professional managers is that their great skill will enable them to outperform the gilt-edged market; they will ride the peaks and troughs by switching profitably in and out of cash at the right time.

Performance

However, outperforming the gilt-edged market by the odd point has not been enough, given the appalling long-term performance of that market, to keep anyone in style. And in 1980, the unit trusts simply did not outperform. There are difficulties in calculating performance: the FT Actuaries Indices (All stocks and Over 15 Years), which are the main benchmarks, work on a basis of taking dividends gross, while the unit trusts receive dividends net of basic rate tax. And last year, in extenuation of their poor performance, the trusts can argue that they were sitting on a lot of cash as their funds built themselves up.

Even without this temporary handicap, unit trusts find it difficult to outperform the market when it is rising. This is partly a question of volatility, to match the Over 15 Years index, for example, it is not enough to take refuge in a 1986 stock. A fund must be heavily exposed to very long, partly-paid issues to benefit from the sort of rise this index is likely to show in a bull phase.

So nimble dealing in a falling market is the key to strong relative performance. But it is not quite as easy as that. The gilt-edged market is an exceptionally sophisticated place where the other man is clever too.

In some ways, the gilt-edged market is one of the most efficient markets in the world. It is possible to deal in large amounts on small spreads in a large number of stocks, and the supply of information is highly transparent. The participants are very active, and they are increasingly looking for short-term performance: even pension funds look at gilt-edged as a trading investment. The fund manager can only hope to beat the market over the medium term by taking advantage of the inefficiencies in the system.

The most striking imperfection is the presence of a very large and inefficient (the word is used strictly in its analytical sense) participant: the Government Broker. As a forced seller, the Government Broker has a weak position relative to other players in the market.

Time after time in the past few years the gilt-edged market has gone through its routine funding crises. The pattern is only too familiar. The market drifts down from a tap level, money supply overshoots, the authorities become more anxious—and all the active bond fund managers go liquid.

It is not a tactic that equity fund managers have dared to employ on anything but a marginal scale since the 1974-75 experience showed that any outperformance on the way down is lost when it proves impossible to get back in again on the way up. But in gilts it has been different, because the Government Broker has been a big supplier at the bottom.

Jobbers

Of course the gilt-edged fund managers have to accept that the initial benefit of the Government Broker's inefficiency largely accrues to the gilt jobbers, who are ideally placed to enjoy it. But there have usually been enough new tap stocks issued close to the bottom to give the funds useful points of relative gain.

The other imperfection concerns the different tax position of various participants in the market. A professional manager is certainly better placed to take advantage of these wrinkles than the average private investor, who (unless he is investing in the stocks which exist, with the blessing of the authorities, to accommodate the high taxpayer) may not be sure quite how many coupons he can afford not to take while staying on the right side of his tax inspector.

The rules remain resolutely obscure on this point: it is almost as though the Revenue believed it could maximise its take by leaving the whole area deliberately grey and thus deterring coupon-avoiders from trading actively: you are tax-efficient: he is a bond-washer). For what it is worth, coupon avoidance seems to be on the increase at the moment, now that so many foreign investors would rather sell cum-dividend than register their names. As a natural corollary, gross funds can buy cheaply those stocks which are full of dividend, whereas in the equity market, with so many dividends in question, and so many high yield unit trusts in particular of them, income is at a premium.

Even here, though, most gilt-edged unit trust managers have little room for high performance manoeuvre, since they have to take dividends in order to pay them out to unitholders, who generally expect a good income.

The final inefficiency which can allow the gun-slingers to outperform is the dwindling number of gilt-edged investors who still regard their stock as something to hold rather than to trade. It is on the back of these, in theory, that the unit trusts can succeed. The circle will be squared when all these sleepy investors switch to gilt-edged unit trusts to improve their performance. By then the price of units, relative to the market, will do well to go sideways.

Anxiety

Certainly, active bond fund managers are eyeing current developments with a degree of anxiety. The appearance of an index-linked gilt edged stock, giving the authorities something different to issue in difficult market phases, makes it unlikely that the authorities will in future have to follow such predictable tactics as in the past. And the arrival of a new Government Broker, Lord Cromwell, adds a further opaque coating to the fund managers' crystal ball.

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